

**Policies, Rules and Regulations
Of the
Arkansas Teacher Retirement System**

Revised 6-12-02

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Of the
Arkansas Teacher Retirement System**

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BOARD POLICIES

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POLICY TYPE: Governance Process

POLICY TITLE: Authority, Function and Style

The authority and responsibility for the administration, management and control of the Retirement System, and for the construing and carrying out the provisions of the Plan is vested in the Board of Trustees (hereinafter the “Board.”) The Board is responsible for the governance of the system. It is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable legal mandates.

The function of the Board is to make certain contributions that lead the Retirement System toward the desired performance and ensure that it occurs. The Board’s specific contributions are *unique* to its trusteeship role and *necessary* for appropriate governance and management. Board decisions are to be based on facts and expert opinions.

The Board will approach its task with a style that emphasizes outward vision rather than an internal preoccupation; encouragement of diversity of viewpoints; strategic leadership more than administrative detail; clear distinction of Board and staff roles; future rather than past or present; and proactive rather than reactive.

Consequently, the contributions of the Board shall be:

1. The link between the Retirement System and its members.¹
2. Written governing policies that, at the broadest levels, address:
 - a. *Governance Process*: Specification of how the Board conceives, carries out and monitors its own task.
 - b. *Board-Staff Relationship*: How authority is delegated and its appropriate use is monitored.
 - c. *Ends*: Retirement system products, impacts, benefits and outcomes (what good for which needs at what cost).
 - d. *Limitations*: Constraints on executive authority that establish the prudence and ethics boundaries within which executive activity, decisions and organizational matters shall be carried out.
3. The assurance of Executive Director performance against policies in 2c and 2d above.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

¹ “Members” as used in the Board Policies document means members of the Arkansas Teacher Retirement System, benefit recipients and their beneficiaries when the sense requires it.

POLICY TYPE: Governance Process

POLICY TITLE: Guiding Principles

1. The Board of Trustees is dedicated to the proposition that its paramount purpose is that of providing an adequate and equitable retirement plan for the members of the teaching profession; to protect this group in the event total and permanent disability causes them to be unable to continue employment in their profession; and to provide in part for their dependents in case of death.
2. The Board is responsible for the prudent investment of System funds. The two paramount considerations in fund investment are safety and yield, with yield being of first importance, provided such investments comply with legally mandated safeguards.
3. The Board should be fully informed of its financial liabilities, not only to the retirants and beneficiaries, but also to active members of the teaching profession; and to make those liabilities known to members of the state legislature, to other state officials and to education-related organizations.
4. The Board should provide all interested citizens with information regarding the System's procedures for investing system funds, as well as, the budgeting, control and disbursement of those funds.
5. The Board will actively promote the enactment of state and federal legislation that may improve the economic welfare of ATRS members.
6. The Board endorses programs of counseling and information designed to assist members who are approaching retirement.
7. The Board should be knowledgeable of the most current information regarding effective, efficient governance and operation of state retirement systems, which could augment prudent decisions for the benefit of members. To this end, Board members are encouraged to actively participate in regional and national retirement organization programs that offer such information and training.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Code of Conduct

The Board expects of itself and its members ethical and business-like conduct.

1. Board members, as fiduciaries, shall discharge their duties solely in the best interest of the system members for the exclusive purpose of providing optimum benefits.
2. Board members must avoid any conflict of interest with respect to their fiduciary responsibility. Board members must not use their positions to obtain favorable treatment for themselves, family members, or close employees.
3. Board members who desire specific information from firms employed by the System should make the request through the Executive Director.
4. Board members shall not, directly or indirectly, solicit or accept any gift of value as defined by the Arkansas Ethics Commission.
5. Board members shall decline any offer and shall not have any contact with anyone associated with a firm that the Board is considering employing after requests for proposals (RFP's) have been sent.
6. Board members shall not attempt to exercise individual authority over the operation of the retirement system or staff members except as explicitly set forth in Board policies. Board members' interaction with the staff, public, press or other entities must recognize the inability of any Board member or Board members to speak for the Board.
7. Board members shall report violations of any of these policies of conduct in writing to the Board Chair.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Board Member Development

The Retirement Board is responsible for its own readiness for Board work and the performance of that work.

1. The Board determines appropriate issues for Board work and appropriate issues to be addressed, as well as the education and data required to address those issues wisely.
2. The Board determines the need and mechanisms for Board development.
 - a. Among the mechanisms will be membership in the National Council on Teacher Retirement, Board-approved consultants, and seminars provided by employees of the Retirement System.
 - b. The Board's annual plan will include expected outcomes, costs and scheduling of the Board development effort.
 - c. The Board will set forth the educational experiences it determines appropriate for a new Board member.
3. One or more members appointed by the Board Chair will conduct new member orientation. The Board Chair will designate one member of the Board to be a mentor for a new Board member for a period of one year.
4. The Board may enlist assistance from the Executive Director in any phase of its own development.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Board Meetings

The Board shall hold regular meetings at least quarterly. Additional meetings may be called by the Chair or scheduled by action of the Board in a regular meeting. The Board shall adopt its own rules of procedure, which shall be subject to the following:

1. The Board shall elect a Chair and Vice Chair from its own membership. The election will be in the odd numbered years at the first regular meeting after the beginning of the fiscal year. The Chair and Vice Chair shall be elected for a term of two years and may be re-elected for one additional two-year term. The Chair and Vice Chair shall be either an active member or retirant trustee. A Board member must have served at least one full year as a member of the Board to be eligible for election to the position of Chair or Vice Chair.
2. In the event a vacancy of the Chair or Vice Chair occurs for any reason other than completion of a term, the Board shall fill said vacancy by election from the existing Board members for the remainder of the unexpired term at its next regular meeting. A trustee elected to fill an unexpired term of the Chair or Vice Chair shall be eligible for two additional two-year terms.
3. Quorum: Eight trustees shall constitute a quorum at any meeting of the Board.
4. Each trustee shall be entitled to one vote on each question before the Board, and at least eight affirmative votes shall be required for a decision by the Board at any meeting.
5. *Roberts Rules of Order* shall be followed in the conduct of all meetings except when a departure from *Roberts* is authorized by action of the Board.
6. Agenda: The Board shall adopt an agenda at the beginning of each meeting. By a majority vote of the Board, items may be added to the agenda before it is adopted.
 - a. The Executive Director shall prepare a tentative agenda and submit it to all trustees at least 30 days prior to a regularly scheduled meeting. The meeting brochure and agenda will be mailed to trustees not later than five days before the regularly scheduled meeting.
 - b. Trustees who want item(s) to be considered for the agenda should notify the Executive Director no later than 20 days prior to a regularly scheduled meeting.
 - c. Members or individuals, who wish to have an item placed on the agenda at a regularly scheduled Board meeting, should submit their request in writing to

the Executive Director no later than 20 days prior to the meeting.

- d. Members or individuals, who wish to make comments during a regularly scheduled Board meeting, should indicate—on forms provided—the subject on which they intend to speak.
 - e. A time limit of five minutes will be allowed members and individuals for presentation, unless extended by majority vote of the Board.
7. Minutes: The Board shall keep an official record of the proceedings of each meeting, the final draft of which must be approved by the Board and signed by the Chair and the Executive Director. The Board minutes are to contain only the action of the Board, information required by case law, and the vote thereon.
8. Public Meetings: All meetings of the Board shall be public and in compliance with the Freedom of Information Act. Representatives of the Little Rock news media shall be notified of each meeting.

Authority: Amended by Act 418 of 1997

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Duties of Chair and Vice Chair

The duty of the Chair is to ensure the integrity of the Board's process and to represent the Board to outside parties.

1. The duty of the Chair is to see that the Board operates consistent with its own rules and those legitimately imposed on it from outside the retirement system.
 - a. Meeting discussion content will be only those issues that, according to Board policy, clearly belong to the Board to decide.
 - b. Deliberation will be timely, fair, orderly and thorough; but also efficient, limited in time and kept to the point.
2. The authority of the Chair consists only in making decisions on behalf of the Board that fall within and are consistent with Board policies.
 - a. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.).
 - b. The Chair may also:
 - i. Convene meetings of the Board, or committees thereof, as prescribed by law.
 - ii. Certify actions taken by the Board.
 - iii. Serve as the official spokesperson for the Board.
 - iv. Name Board members to committees.
 - v. Perform other duties specifically requested by the Board that are deemed necessary and appropriate for the Board to fulfill its duties and responsibilities under law.

Duties of the Vice Chair

The duties of the Vice Chair are to act as temporary Chair in the absence of the regular Chair.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Reimbursement of Expenses

The Board, by majority vote of the total membership cast at the first regularly scheduled meeting of each calendar year, may authorize expense reimbursement for each trustee for performing official Board duties. Official Board duties are defined as follows:

1. Attending regular and called Board meetings.
2. Attending committee meetings of the Board or any specially appointed committee comprised, in whole or in part, of Board members.
3. Attending conferences approved by the Board of Trustees.
4. Attending legislative committee meetings when acting as spokesperson for the Board.
5. Attending legislative sessions at the request of the Board or Executive Director.

Board members are subject to the same reimbursable expenses as state employees.

Board officers are authorized payment for personal expenses, not otherwise reimbursed, incurred in the performance of their ATRS-related duties. Such reimbursement is to cover (1) any losses in salary or compensation that would otherwise result from their attendance at Board or committee meetings, and will be paid to the officer's employer; and (2) the costs of communication (long-distance telephone calls, postage, etc.) with other trustees or staff members.

Authority: Act 1211 of 1995

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Procurement of Services

ATRS shall utilize an equitable and open system of awarding contracts to providers of all contractual, management and consultant services, including, but not limited to: (1) construction architects, engineers and contractors; (2) building managers; (3) real estate, legal and investment consultants; and (4) actuaries and auditors.

The system of awarding contracts will assure that all bona fide providers of such services will have equal opportunity to submit competitive bids or competitive proposals for consideration.

The Executive Director shall develop procurement procedures and a plan for implementing the process of awarding contracts.

The Board of Trustees shall approve all procedures and contracts related to the procurement of services.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Committee Principles

The Board may establish committees to help carry out its responsibilities.

1. Board committees may not speak or act for the Board except when formally given such authority.
2. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation.
3. Board committees may not exercise authority over staff.
4. All members of the Retirement Board shall be notified as to the time and place of all committee meetings. Any Retirement Board member may attend any committee meeting, but only committee members may vote on committee matters.
5. Appointments to committees shall be for four-year terms unless otherwise noted. Initial appointments for less than four years may be reappointed to one full, four-year term.
6. A quorum of each committee and the number of affirmative votes needed for a motion to carry shall be a majority of the designated size of the committee.
7. Board committees shall elect their own chair and vice chair unless otherwise indicated by Board policy.
8. The Executive Director shall serve as secretary and an ex-officio non-voting member of Board committees or shall delegate another member of the staff to serve in this capacity.
9. Committees shall report to the Board following each of their meetings.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Investment Committee Charter

1. There shall be an Investment Committee composed of six members of the Board. The Chair of the Board will appoint four members. The Chair and Vice-Chair of the Board shall serve as ex-officio voting members of the Committee.
2. The Committee shall meet on call by the Chair and/or the Executive Director, but not less than on a quarterly basis.
3. The purposes of the Committee shall be:
 - a. To consider investment policies and procedures for recommendation to the Board for adoption.
 - b. To consider asset allocations for recommendation to the Board for adoption.
 - c. To consider all investment proposals for approval or rejection, unless they are assigned to other committees by the Board.
 - d. To monitor all phases of the investment program, including the Real Estate Committee and the Real Estate Screening Committee, and recommend any changes that need to be made to the full Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Legislative Committee Charter

1. There shall be a Legislative Committee composed of five members of the Board appointed by the Board Chair. The Board Chair may serve as a voting member of the committee.
2. The Committee shall meet twice monthly, or more often if needed, during the three-month pre-legislative fall season and during the General Assembly sessions. At other times, the Committee will meet on call by either the Committee Chair or the Executive Director.
3. The committee shall recommend to the Board for approval a spokesperson to present and support the Board's defined and adopted positions on legislative issues.
4. The purposes of the Legislative Committee shall be:
 - a. To preview legislative proposals that will impact the Retirement System and its members.
 - b. To suggest and develop legislative proposals for the benefit of the Retirement System and its members.
 - c. To make recommendations to the Board for initiating or supporting legislative proposals or for opposing proposed legislation.
 - d. To review and monitor enacted legislation relating to the Retirement System and its members. It shall be the ongoing responsibility of the Legislative Committee:
 - i. To see that such legislation is properly incorporated into Retirement System policies and procedures, and
 - ii. To monitor the effect of such legislation as it relates to current and future retirees.
 - e. To monitor meetings of the Legislative Council and the Committee on Social Security and Retirement.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Policies Committee Charter

1. There shall be a Policies Committee composed of five members of the Board. The Board Chair will appoint four trustees to the Committee and will serve as an ex-officio voting member of the Committee.
2. The Committee shall meet bi-monthly, or on call by either the Chair or the Executive Director.
3. The primary purpose of the Policies Committee is to receive and consider proposals for the adoption of new policy and the revision or deletion of existing policy. The Committee is responsible for recommending the adoption or rejection of any such policy proposals to the Board.
4. Recommendations or suggestions for initiating or changing Board policy must be submitted in writing to the Board Chair, the Chair of the Policies Committee and the Executive Director seven days prior to the next meeting of the Policies Committee.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Real Estate Committee Charter

1. There shall be a Real Estate Committee composed of five members—including three members selected from the business community, the Arkansas Banking Commissioner, and the ATRS Real Estate Investment Manager.
 - a. The Board shall select six business community members from a list compiled by the Executive Director and the Board. The business community members shall be appointed for one-year terms and may be reappointed. Three members will be selected by the Committee Chair to serve at a particular meeting.
 - b. The six members from the business community shall be knowledgeable about real estate matters. A person will be deemed to be “knowledgeable with respect to real estate matters” if that person is a present or former lending officer for a federally-insured financial institution, or is a licensed Arkansas real estate broker with five years or more experience as such, or is an Arkansas licensed real estate appraiser (state certified general appraiser or MAI designation).
 - c. The Real Estate Investment Manager will be employed by the Board to review, monitor and advise on all aspects of the real estate portfolio including management contracts. This will include advice on assets and loans currently in the portfolio as well as future loans and acquisitions. The Real Estate Investment Manager shall have a minimum of ten years experience as a commercial real estate broker, property developer, appraiser, counselor, lender or a combination thereof.
2. No member of the Committee may do business with ATRS while serving on the committee or for a period of three years thereafter.
3. The Real Estate Investment Manager shall serve as Chair of the Committee.
4. The Committee shall operate under guidelines and procedures approved by the Board.
5. The purpose of the Committee shall be to consider and approve or disapprove all real estate investments submitted by the Real Estate Screening Committee. ATRS Legal Counsel must review all such proposals prior to final approval by the Committee.
6. The Committee shall have the authority to renew loans that have matured and performed according to loan documents. This shall include, but not be limited to raising and lowering interest rates, substituting or requiring more collateral and making adjustments in life insurance premiums.
7. Total real estate investments shall not exceed the system’s approved asset allocation as determined by the Board at the beginning of each fiscal year. Should the real estate

allocation be exceeded, no additional real estate investments shall be entered into until the asset allocation exceeds the total real estate investments.

8. Minutes of each meeting will be maintained and reports of all actions taken by the Committee will be presented at the following Investment Committee meeting and Board meeting for final approval.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Real Estate Screening Committee Charter

1. There shall be a Real Estate Screening Committee composed of four members—including the Investment Committee Chair, one other Board member appointed by the Board Chair, the Retirement Fund Investment Supervisor, and the Associate Director—Investments.
2. The Investments Supervisor shall serve as Chair.
3. The primary purpose of the Committee shall be to consider all real estate loans and acquisition proposals for preliminary approval. Proposals approved by the Committee will be submitted for “due diligence” study by underwriters selected by the Real Estate Committee.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Governance Process

POLICY TITLE: Board Self-Evaluation

The Board will regularly evaluate its own performance, taking whatever action is necessary to govern with excellence. The Board will review these policies of conduct at least annually and discuss the degree to which it complies.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Board-Executive Director Relationship

POLICY TITLE: Delegation to the Executive Director

Authority for implementing policy and the development of supporting procedures is delegated to the Executive Director

1. All Board authority delegated to staff is delegated through the Executive Director, so that all authority and accountability of staff is considered to be within the authority and accountability of the Executive Director.
2. *Ends* policies direct the Executive Director to achieve certain results; *Executive Director Limitations* policies constrain the Executive Director to act within Board adopted policies, legal requirements and acceptable boundaries of prudence and ethics. With respect to *Ends* and *Executive Director Limitations*, the Executive Director is authorized to establish further procedures, make decisions, and take actions provided they are consistent with Board policies.
3. The Board may change its policies, thereby shifting the boundary between the Board and the Executive Director domains. The Board and Executive Director will respect and support the parameters of delegation as they exist and as they may be changed in the future.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Board-Executive Director's Relationship

POLICY TITLE: Executive Director's Job Description

The Executive Director is the Board's official link to the operation of the Retirement System. The Executive Director is accountable for all organizational performance and entitled to exercise all authority delegated by official Board action.

The Executive Director's job description may be stated as performance in these areas:

1. Organizational accomplishment of the provisions of Board policies on *Ends*.
2. Organizational operation within the boundaries of prudence and ethics established in Board policies on *Executive Director Limitations*.
3. Serving as Secretary to the Retirement Board and an ex-officio non-voting member of its committees and maintaining an accurate record of the proceedings.
4. Serving as liaison between the (a) Actuary, (b) Investment Consultant, and (c) Real Estate Manager and the Retirement Board, helping to interpret the intent of the Board to the consultants and coordinating their reports and recommendations to the Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Board-Executive Director's Relationship

POLICY TITLE: Monitoring Executive Performance

Monitoring executive performance is synonymous with monitoring organizational performance against Board policies on *Ends* and *Executive Director Limitations*. Any evaluation of Executive Director performance, formal or informal, may be derived only from these monitoring data.

1. The purpose of monitoring is simply to determine the degree to which Board policies are being fulfilled. Information that does not meet this purpose will not be considered to be monitoring. Monitoring will be as automatic as possible, using a minimum of Board time so that meetings can be used to create the future rather than to review the past.
2. A given policy may be monitored in one or more of three ways:
 - a. Internal report: Compliance information prepared by the Executive Director for the Board.
 - b. External report: Compliance information prepared by a disinterested, external auditor, inspector or consultant who is selected by and reports directly to the Board. Such reports must assess executive performance only against policies of the Board, not those of the external party unless the Board has previously indicated that party's opinion to be the standard.
 - c. Direct Board inspection: Compliance information prepared by a Board member, a committee or the Board as a whole. This is a Board inspection of documents, activities or circumstances directed by the Board that allows a "prudent person" test of policy compliance.
3. Upon the choice of the Board, any policy may be monitored by any method at any time. For regular monitoring, however, each *Ends* and *Executive Director Limitations* policy will be classified by the Board according to the following frequency and method:

Policy	Method	Responsi- bility	Frequency	Month Expected
Ends				
Financial Perspective				
Sustain actuarial soundness	External Report	Actuary	Annual	Dec.
Manage contributions effectively	Internal Report	Executive Director	Annual	June
Maximize investment returns . . .	External Report	Investment Consultant	Quarterly	Apr., July, Oct., Jan.
Ensure budget credibility	Internal Report	Executive Director	Annual	June
Customer Perspective				
Promote comparable contribution rates, benefits and services	Internal Report	Executive Director	Annual	June
Increase awareness of trust fund stewardship	Internal Report/ External Audit Report	Executive Director/ Independent Auditor	Annual	June
Promote retirement education and communications	Internal Report	Executive Director	Annual	June
Improve overall service level	Internal Report	Executive Director	Annual	June
Internal-Business Process Perspective				
Administer retirement laws timely, accurately and consistently	Internal Audit Report	Internal Auditor	Annual	June
Provide member benefits and services (1) at a level that promote member satisfaction and (2) in a cost effective manner	Internal Report	Executive Director	Annual	June
Process improvement	Internal Report	Executive Director	Annual	June
Effectively manage new projects and initiatives	Internal Report	Executive Director	Annual	June
Promote effective communication	Internal Report	Executive Director	Annual	June
Promote knowledge-based decision making	Internal Report	Executive Director	Annual	June

Policy	Method	Responsi- bility	Frequency	Month Expected
Learning and Growth Perspective				
Foster a positive, innovative work environment	Internal Report	Executive Director	Annual	June
Employ and retain highly capable employees	Internal Report	Executive Director	Annual	June
Recruit and retain a diverse work force	Internal Report	Executive Director	Annual	June
Enhance training and development opportunities	Internal Report	Executive Director	Annual	June
Executive Director Limitations				
General Executive Constraints	Internal Report	Executive Director	Annual	June
Communication and Counsel to the Board	Direct Board Inspection	Board	Annual	June
Code of Ethics	Internal Report	Executive Director	Annual	June
Compensation and Benefits	Internal Audit Report	Internal Auditor	Annual	June
Staff Treatment	Internal Report	Executive Director	Annual	June
Operations	Internal Report	Executive Director	Annual	June
Risk Management	Internal Report	Executive Director	Annual	June

* Every five years another independent actuary will review the actuarial soundness of the system. (The last five-year actuarial audit was conducted for FY 2000.)

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Board-Executive Director Relationship

POLICY TITLE: Employment of Executive Director

Employment of the Executive Director will be by the Board.

1. Employment will be based on the Board's judgment that a candidate's knowledge, skill and character would indicate reasonable assurance of excellent performance.
2. Criteria will be based on:
 - a. General characteristics set forth by the Board to predict successful Executive Director performance, and
 - b. Specific characteristics set forth by the Board to predict successful Executive Director performance in view of the Retirement System's strategic challenges in the future.
3. Prior to selecting an Executive Director, the Board will make explicit provisions for:
 - a. Providing notice of the vacancy,
 - b. Screening nominations or applications, and
 - c. The selection process.

Authority: Act 427 of 1973

Adopted: June 12, 2002
Amended:

POLICY TYPE: Ends

POLICY TITLE: Financial Perspective

1. Sustain actuarial soundness. The goals are for:

The funded ratio to increase and the funding period to decrease unless knowingly modified by Board action or as a result of events over which the Board has no control.

The actuarial methodology and economic assumptions to be comparable to other teacher retirement systems.²

2. Manage contributions effectively. The goals are for:

Employer contributions to be collected and invested in a timely manner.

Receivables of more than 30, 60 and 90 days to be reported to the Board.

3. Maximize investment returns within the bounds of prudence

- a. Asset Allocation

Investments shall be within the minimum and maximum ranges established by the Board and will approximate the targeted levels unless the Board is advised as to reasons for a deviation.

- b. Investment Return

Total Fund—The overall goal is to achieve, over a period of years, the actuarial interest assumption rate with due consideration being given to preservation of capital and its purchasing power and to maintaining the element of risk at a prudent investor level

4. Ensure budget credibility. The goals are for:

- a. *Total operating expenses (excluding investment expenses) of existing programs and services to be maintained or reduced in relation to the five-year rolling average of increases in members and inflation.*

- b. *Investment related expenses to be maintained or reduced in relation to investment assets once each asset category reaches its target allocation.*

² “Other teacher retirement systems” as used here includes those statewide retirement systems in the United States whose: (a) membership is predominately teachers, (b) members contribute to Social Security, (c) membership is within $\pm 50\%$ of ATRS, and (d) assets are within $\pm 50\%$ of ATRS.

- c. *Proposed programs or services to have a “business plan” that includes:*
 - i. *A description of the need that is to be met*
 - ii. *The method by which the need will be met*
 - iii. *The method by which members will learn about the program or services*
 - iv. *Staffing requirements*
 - v. *Other resources that are needed*
 - vi. *The method by which the programs or services will be evaluated*

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Ends

POLICY TITLE: Customer Perspective

1. Promote contribution rates, benefits and services comparable to other teacher retirement systems.³ The goals are for:
 - a. Employer contribution rates to be comparable to other teacher retirement systems.
 - b. Total benefits paid to be comparable to other teacher retirement systems.
 - i. Average regular benefits paid to be comparable to other teacher retirement systems.
 - ii. Average disability benefits paid to be comparable to other teacher retirement systems.
 - iii. Average survivor benefits paid to be comparable to other teacher retirement systems.
 - c. Age and length of service requirements for unreduced retirement benefits to be comparable to other teacher retirement systems.
 - d. Plan of payment options for regular benefits to be comparable to other teacher retirement systems.
2. Increase awareness of trust fund stewardship. The goals are for:
 - a. *The system to receive the “Certificate of Achievement for Excellence in Financial Reporting” each year as presented by the Government Finance Officers Association of the United States and Canada.*
 - b. *The system to receive the Public Pension Coordinating Council’s “Public Pension Principles Achievement Award” each year it is available.*
 - c. *A comprehensive annual financial report, or abstract thereof, to be provided to each member of the system.*
3. Promote retirement education and communications. The goals are for:
 - a. Special programming for new ATRS members (those with less than five years of service) to be developed and disseminated to increase awareness of ATRS and its benefits.

³ See Footnote 2, page 23.

- b. The number and percentage of members participating in retirement education events sponsored by the ATRS to increase or remain the same from one year to the next.
 - c. *Printed communications from the ATRS to be judged to be well written, attractively formatted and helpful by a sample of the members targeted by the communication.*
4. Improve overall service level. The goals are for:
- a. *The overall service level of ATRS to be above the median for its peer group⁴ and at a cost that is comparable to its peer group.⁵*
 - b. *The overall service level to include the following functions within ATRS:*
 - i. *Paying pensions*
 - ii. *Pension inceptions*
 - iii. *Pension estimates*
 - iv. *Counseling*
 - v. *Member telephone calls*
 - vi. *Communication*
 - (1) *Group presentations*
 - (2) *Website and E-mail*
 - (3) *Newsletters*
 - (4) *Other written material*
 - vii. *Collections*
 - (1) *Annual member statements*
 - (2) *Employer services*

⁴ "Peer group" as used here refers to a number of retirement systems selected by Cost Effective Measurement Inc. that are most like ATRS.

⁵ It is understood that the first time data will be collected for this and the following goal will be in 2003 for the 2002-2003 fiscal year.

viii. *Refunds, Terminating Payments*

ix. *Service Credit Purchases*

x. *Disability Pensions*

xi. *Financial Control & Governance*

(1) *The Annual Report*

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Ends

POLICY TITLE: Internal-Business-Process Perspective

1. Administer retirement laws in a timely, accurate and consistent manner. The goals are for:
 - a. *The average turn-around time for processing retirement to improve or remain the same from the previous year.*
 - b. *Retirement benefits to be calculated accurately and consistently.*
2. Provide member benefits and services (1) at a level that promotes member satisfaction and (2) in a cost effective manner. The goals are for:
 - a. *The satisfaction level of members regarding benefits and services to increase from one year to the next.*
 - b. *See also Item 4, page 27.*
3. Process improvement. The goals are for:
 - a. *“Business critical” processes to be identified.*
 - b. *“Business critical” processes to be analyzed and redesigned as needed.*
 - c. *Processes to be continually reevaluated*
4. Effectively manage new projects and initiatives. The goals are for:
 - a. *New projects and initiatives to be undertaken with a detailed plan, including projected completion dates and resource requirements.*
 - b. *Periodic progress reports to be made to the Board on major projects or initiatives.*
5. Promote effective communication. The goal is for:

Communications with the Board, members and employees to be clear, concise and timely.
6. Promote knowledge-based decision-making. The goal is for:

Management decisions to be based on facts and expert opinions.

POLICY TYPE: Ends

POLICY TITLE: Internal-Business-Process Perspective

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Ends

POLICY TITLE: Learning and Growth Perspective

1. Foster a positive, innovative work environment. The goal is for:

Professional and support staff responses to an organizational climate survey to indicate a stable or more positive and innovative work environment from one year to the next.

2. Employ and retain highly capable employees. The goals are for:

- a. *The average educational level of the professional and support staffs to increase or at least remain the same from one year to the next.*

- b. *The net turnover rate⁶ of the professional and support staffs to decrease or at least remain the same from one year to the next.*

3. Recruit and retain a diverse work force. The goal is for:

The gender, race and age of the professional and support staffs to show progress toward approximating the respective work forces in the Little Rock Metropolitan Statistical Area from one year to the next.

4. Enhance training and development opportunities. The goals are for:

- a. *The average number of days spent in training by the professional and support staffs to increase or at least remain the same from one year to the next.*

- b. *The number and percentage of professional and support staff having recognized job-specific or job-related credentials to increase or at least remain the same from one year to the next.*

⁶ The net turnover rate is the total separations—less retirements, disabilities and deaths--divided by the average number of employees during the year.

Authority: Act 427 of 1973
Adopted: June 12, 2002
Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: General Executive Constraints

The Executive Director shall not cause or allow any act, decision, activity or circumstance that is imprudent, in violation of commonly accepted business and professional ethics, or a breach of fiduciary responsibility.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Communication and Counsel to the Board

With respect to providing information and counsel to the Board, the Executive Director may not permit the Board to be uninformed. Accordingly, the Executive Director may not:

1. Let the Board be unaware of relevant trends, anticipated adverse media coverage, and material external or internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
2. Fail to submit the required monitoring data (see policy on Monitoring Executive Performance) in a timely, accurate and understandable fashion, directly addressing provisions of the Board policies being monitored.
3. Fail to marshal as many alternatives as needed for fully informed Board choices.
4. Fail to provide requested information that would assist the Actuary, Investment Consultant and Real Estate Manager from in their efforts to make reports and recommendations directly to the Board without modification.
5. Present information in unnecessarily complex or lengthy form.
6. Fail to provide a mechanism for official Board, officer or committee communications.
7. Fail to deal with the Board as a whole, except for fulfilling individual requests for information.
8. Fail to report actual or anticipated noncompliance with any policy of the Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Code of Ethics

The Executive Director may not fail to require employees of the Retirement System to adhere to an appropriate code of ethics that will assure:

1. Confidentiality of member records.
2. No conflict of interest, or appearance thereof, with respect to their fiduciary responsibilities.
3. Adherence to applicable professional codes of ethics and standards of professional conduct.
4. No solicitation or acceptance of gifts, favors or other items of value as defined by the Arkansas Ethics Commission.
5. No ATRS associate shall participate in any activities regarding the candidacy of any person for a position as a Board member or officer of the Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Compensation and Benefits

With respect to employment, compensation and benefits to employees, consultants, contract workers and volunteers, the Executive Director may not cause or allow jeopardy to fiscal integrity or public image.

Accordingly, the Executive Director may not:

1. Change his or her compensation and benefits.
2. Promise or imply permanent or guaranteed employment.
3. Establish current compensation or benefits that are not within State-approved salary schedules or benefit provisions.
4. Change the assignment of personnel in Grade 23 and above without notification to the Board at a Board meeting.
5. Fail to:
 - a. Involve the Board in determining the qualifications and expectations for Grade 23 and above positions, and
 - b. Submit at least three candidates to the Board for interview or review of credentials.

The Board may remove one or more candidates from consideration. The Executive Director will make the employment decision.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Staff Treatment

The Executive Director may not cause or allow conditions that are inhumane, unfair or undignified. Accordingly, the Executive Director may not:

1. Discriminate among employees on other than clearly job-related, individual performance or qualifications.
2. Employ or promote a family member.
3. Adversely affect the stability of the staff or terminate senior executives without previous discussion with the Board.
4. Fail to take reasonable steps to protect employees from unsafe or unhealthy conditions.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Operations

Budgeting for any fiscal period shall not deviate materially from Board *Ends* priorities, risk fiscal jeopardy, or fail to show a generally acceptable level of foresight. The proposed biennial budget shall be presented to the Board for review and approval prior to its submission to the General Assembly for adoption.

Accordingly, the Executive Director may not cause or allow budgeting that:

1. Contains too little detail to enable accurate projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions.
2. Does not provide for Board prerogatives and Board development.
3. With respect to the actual, ongoing condition of the Retirement System's operating budget, the Executive Director may not cause or allow the development of financial jeopardy.

Accordingly, the Executive Director may not:

1. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
2. Allow actual operating budget allocations to deviate materially from Board priorities in *Ends* policies.
3. Fail to promulgate procedures to assure an equitable and open system of awarding contracts to providers of contractual and consultant services.
4. Fail to establish and maintain a system of internal controls designed to assure that the policies and procedures of the retirement system are being followed and that assets belonging to ATRS are properly received, are protected while in the custody of ATRS, are used only for appropriate purposes, and reduce the opportunity for errors and dishonesty. A qualified auditor will conduct an examination of the effectiveness of the system's internal controls at least every five years. The external auditor responsible for auditing the adequacy of the annual financial statement shall not be eligible for this examination.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Risk Management

Emergency Executive Succession

To protect the Board from sudden loss of Executive Director services, the Executive Director shall assure that the Deputy Executive Director and at least one other senior executive are familiar with Board and Executive Director issues and processes.

Business Continuity Planning

The Executive Director may not fail to have a Business Continuity Plan, in place and tested, to assure that the critical business processes of the retirement system (i.e., the payment of monthly benefits and the investment and protection of assets) can continue notwithstanding the loss of use of all or part of the home office or computer facilities.

Asset Protection

The Executive Director may not allow assets to be unprotected, inadequately maintained or unnecessarily risked as would be determined by a prudent person:

Accordingly, the Executive Director may not:

1. Allow uninsured personnel access to material amounts of funds.
2. Subject physical plant and equipment to improper wear and tear or insufficient maintenance.
3. Unnecessarily expose the Board, employees or the Retirement System to claims of liability.
4. Receive, process or disburse funds under controls insufficient to meet the Board-appointed auditor's standards.
5. Acquire, encumber or dispose of real property without Board authorization.
6. May not allow investment assets to be unprotected. Such protection shall include:
 - a. Timely deposit of cash as provided for by law and Board policy.
 - b. Transfer of securities to the State Treasurer or the Treasurer's designated sub-custodian for safekeeping.

7. Allow investment assets to be unprotected through the failure to have a well-qualified and trained staff.

Insurance

The Executive Director may not allow the retirement system to be uninsured against known perils. Accordingly, insurance policies will be maintained with coverages that would be considered prudent in the following areas:

1. Boiler
2. Crime
3. Difference in Conditions
4. Directors and Officers
5. Fiduciary
6. General Liability
7. Kidnap, Ransom and Extortion
8. Pollution Legal Liability
9. Property
10. Surety Bonds
11. Travel Accident

Authority: Act 427 of 1973

Adopted: June 12, 2002

Amended:

BOARD OF TRUSTEES COMPOSITION (Amended by Act 418 of 1997)

Section 3 of Act 427 of 1973, as amended, [A.C.A. 24-7-301] provides that the general administration and responsibility for the proper operation of the System and for making effective the provisions of the Teacher Retirement law are vested in the Board of Trustees of 15 persons. The State Bank Commissioner, the State Treasurer, the State Auditor, and the State Commissioner of Education shall be the ex officio trustees. Act 418 of 1997 Provides eleven (11) members shall be elected to the Arkansas Teacher Retirement Board of Trustees, eight (8) of who shall be active members of the system with at least five (5) years of credited service in force and three (3) who are retired from the system and reside in the State of Arkansas. For the purposes of this act, participants in the Teacher Deferred Retirement Plan (T-DROP) will be considered active members. Survivors of ATRS members who receive survivor benefits from the System are not eligible to participate in the election of Board of Trustee members. (Revised 11/18/97) The member and retirant trustees shall be elected in accordance with such rules and regulations as the Board shall from time to time adopt to govern such elections.

Member Trustees

1. There shall be four (4) member trustees employed in a position, which requires state teaching certification or employed by an ATRS-covered agency in a position between Grade 17-23. Such trustees shall NOT be employed as a school administrator (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical colleges, or vocational centers/cooperatives), or employed in a position Grade 24 and above with a ATRS covered agency. One (1) member trustee will be elected from each of the four (4) congressional districts of the State of Arkansas.

Members employed in positions will elect these trustees which require state teaching certification or who are employed by an ATRS-covered agency in positions between Grade 17-23. Such members must NOT be employed in positions as a school administrator, (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical colleges, or vocational centers/cooperatives) or employed by an ATRS-covered agency in a position Grade 24 and above.

2. There shall be two (2) member trustees employed as a school administrator (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical colleges, or vocational centers/cooperatives), or employed by an ATRS-covered agency in a position Grade 24 and above, one (1) of which must be a superintendent.

These trustees will be elected by members employed as a school administrator (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical

colleges, or vocational centers/cooperatives), or employed by an ATRS-covered agency in a position Grade 24 and above.

3. There shall be one (1) member trustee employed in a position which does not require state teaching certification or who is employed by an ATRS-covered agency in a position Grade 16 and below.

This member trustee shall be elected by members employed in positions not requiring state teaching certification or employed by an ATRS-covered agency in a position Grade 16 and below.

4. There shall be one (1) member trustee of a minority racial ethnic group who is either active or a retired member of the system. This member trustee shall be elected by the active and retired membership of the system.

Retirant Trustees

There shall be three (3) retirant trustees who receive an annuity paid by the system. These trustees shall be elected by the retired membership of the system.

TERM OF OFFICE

The term of office of each member and retirant trustee elected after July 1, 1997, shall be six (6) years. Each trustee shall continue to serve as trustee until his successor is elected and has qualified.

A member trustee shall be ineligible to serve after becoming inactive or upon retiring. A member trustee in Position 1 through 7 shall be ineligible to serve if they change employment category during their term of office, i.e., an administrator becoming a classroom teacher." A retirant trustee shall be ineligible to serve after becoming active.

A vacancy will occur if a member or retirant trustee is absent for three (3) consecutive regular board meetings, unless the absence is excused by a majority of the members of the Board. Attendance on either day of a two-day board meeting is sufficient in meeting attendance requirement. The Executive Director will notify the board member of this policy after the second consecutive absence. *(Revised 5-15-01)*

When a vacancy occurs in the office of a member or retirant trustee, the vacancy will be filled during the next annual ATRS election, utilizing approved election requirements and procedures for that position. *(Revised 5-15-01)*

Each year in which the six (6) year term of a member and/or retirant trustee expires, the position shall be filled either by election or re-election.

Board Positions

- Position #1 (1st Congressional District)
- Position #2 (2nd Congressional District)
- Position #3 (3rd Congressional District)
- Position #4 (4th Congressional District)
- Position #5 (Administrator - Superintendent only)
- Position #6 (Administrator)
- Position #7 (Non-certified)
- Position #8 (Minority)
- Position #9 (Retiree)
- Position #10 (Retiree)
- Position #11 (Retiree)

DEFINITIONS OF POSITION QUALIFICATIONS AND ELIGIBLE VOTERS IN EACH ELECTION

1. Positions #1-#4 (Member Trustees from Congressional Districts)

A) Qualifications for candidacy:

1. Must be an active member of ATRS (includes T-DROP participants;
2. Must have five (5) years of credited service in ATRS;
3. Must be employed in a position, which requires a state teaching certificate or employed by an ATRS-covered agency in a position between Grade 17-23. Such trustee shall not be employed as a school administrator (superintendent, assistant superintendent, principal, vice-principal, president, chancellor, or director of state institution of higher education, community/technical colleges, or vocational centers/cooperatives), or employed in a position Grade 24 and above with an ATRS-covered agency;
4. Must be employed in the congressional district from which he/she is elected; and
5. If a candidate holds two or more positions, i.e., works as a teacher and bus driver, eligibility shall be determined by his/her primary employment.

B) Eligible voters include:

Active ATRS members (includes T-DROP participants) who are employed in the congressional district. Such members must also be employed in a position, which requires a state teaching certificate or employed by an ATRS-covered agency in a position between Grade 17-23. Such members must not be employed in positions as school administrators (superintendent, assistant superintendent, principal, vice-principal, president, chancellor, or director of state institution of higher education,

community/technical colleges, or vocational centers/cooperatives), or employed in an ATRS-covered position Grade 24 and above.

2. Position #5 (Administrator - Superintendent only)

A) Qualifications for candidacy:

1. Must be an active member of ATRS (includes T-DROP participants);
2. Must have five (5) years of credited service in ATRS;
3. Must be employed as an Arkansas school superintendent.

B) Eligible voters include:

Active ATRS members (includes T-DROP participants) employed as a school administrator (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical colleges, or vocational centers/cooperatives), or employed by an ATRS-covered employer in a position Grade 24 or above.

3. Position #6 (Administrator)

A) Qualifications for candidacy:

1. Must be an active member of ATRS (includes T-DROP participants);
2. Must have five (5) years of credited service in ATRS;
3. Must be employed as a school administrator (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical colleges, or vocational centers/cooperatives), or employed by an ATRS-covered employer in a position Grade 24 or above.

B) Eligible voters include:

Active ATRS members (includes T-DROP participants) employed as a school administrator (superintendent, assistant superintendent, principal, vice principal, president, chancellor, or director of state institutions of higher education, community/technical colleges, or vocational centers/cooperatives), or employed by an ATRS-covered employer in a position Grade 24 or above.

4. Position #7 (Non-certified)

A) Qualifications for candidacy:

1. Must be an active member of ATRS (includes T-DROP participants);
2. Must have five (5) years of credited service in ATRS;

3. Must be employed in a position, which does not require a state teaching certificate (includes school secretaries, school bus drivers, school cafeteria and maintenance workers) or employed by an ATRS-covered agency in a position Grade 16 and below.

B) Eligible voters include:

Active ATRS members (includes T-DROP participants) employed in a position, which does not require a state teaching, certificate (includes school secretaries, school bus drivers, school cafeteria and maintenance workers) or employed by an ATRS-covered agency in a position Grade 16 and below.

5. Position #8 (Minority)

A) Qualifications for candidacy:

1. Must be an active member of ATRS (includes T-DROP participants) or a retiree receiving an annuity paid by ATRS;
2. Must have five (5) years of credited service in ATRS;
3. Must be of a racial, ethnic minority group.

B) Eligible voters include:

Active ATRS members (includes T-DROP participants), and retirees receiving an annuity paid by ATRS.

6. Positions #9-#11 (Retirant Trustees)

A) Qualifications for candidacy:

1. Must be a retiree receiving an annuity paid by ATRS; and
2. Must be a resident of the State of Arkansas.

B) Eligible voters include:

ATRS retirees receiving an annuity paid by ATRS.

ELECTION PROCEDURES FOR MEMBER AND RETIRANT TRUSTEES
(Board approved 05/10/00)

ADVERTISEMENT OF VACANCY

During the month of December prior to the year in which a trustee is to be elected, a notice of such election shall be submitted to the Arkansas Association of Educational Administrators (AAEA), the Arkansas Education Association (AEA), the Arkansas State Employees Association (ASEA), and the Arkansas Retired Teachers Association (ARTA). The system shall also publish a Public Notice in the Arkansas Democrat-Gazette, which will run for five(5) days. This announcement shall include the trustee position number and description of the position for which the election is to be held, a listing of counties if election is for a congressional district, voter qualifications/eligibility to vote, the procedure for nominating a candidate, and an announcement indicating nominating petitions can be obtained from the Teacher Retirement System.

NOMINATIONS

1. Nomination for election shall be upon petition signed by not less than twenty-five (25) voters eligible to vote in the specified election. Such petitions must also have the social security number of the nominee and each signer in order for the retirement system to verify the petition. Nominating petitions and a candidate information forms must be filed with the Executive Director of the Teacher Retirement System not later than January 31 of the year in which the member or retirant trustee's term expires.
2. Should only one qualified candidate file a timely and verified petition, that person shall be declared by the Board of Trustees as elected to fill the vacant trustee position.

BALLOTS (ATRS Conducts Election)

1. The order of candidates listed on the ballot(s) will be determined by a drawing from the petitions received by the retirement system. The drawing will be conducted by representatives of the retirement system staff and witnessed by a representative of the group(s) from which a trustee will be elected, i.e, administrator, certified, non-certified, minority, or retiree. A letter to document and verify the drawing will be signed by all in attendance.
2. Ballots will be printed by ATRS in conjunction with the Department of Information Systems (DIS), in sequential order with instructions to voters and candidate names written on the ballot. The instructions will say that ballots are not to be copied.
3. A firm of certified public accountants will be retained by the System to count the votes and certify the results of the election(s).

4. Ballots will be mailed directly to the homes of eligible voters via first class mail in accordance with the ATRS policies governing the schedule for active and retirant trustee elections.
5. Instructions to voters and a return envelope with the word, "Ballot," stamped on it will be mailed to each eligible voter, along with a brief statement from each candidate. The ballots will be delivered to the accounting firm referred to above. Ballots may be hand-delivered to the accounting firm. Only one ballot may be delivered by any one individual.
6. The instructions will inform voters that ballots are not to be copied, and ballots will be printed on colored paper for this reason. If more than one election will be held simultaneously, the ballot for each race will be printed on a different color paper. The color of the ballot will be changed for each election.
7. Voters' social security numbers will not be requested and no space will be provided for them on the ballot(s).
8. One (1) printed list and mailing labels of eligible voters and their addresses will be furnished to each candidate upon request.

BALLOTS (Independent Contractor Conducts Election)

1. The Board of Trustees may, in lieu of the ATRS staff conducting the election(s), consent to employ an independent contractor to conduct all or part of the election process. In this instance, ATRS will provide such contractor with compatible media containing the addresses of eligible voters, and any other materials required to conduct the scope of the election process for which the contractor has been employed.
2. The order of candidates listed on the ballot(s) will be determined by a drawing from the petitions received by the retirement system. The drawing will be conducted by representatives of the retirement system's staff and witnessed by a representative of the group(s) from which a trustee will be elected, i.e., administrator, certified, non-certified, minority or retiree. A letter to document and verify the drawing will be signed by all in attendance.
3. Ballots will be mailed directly to the homes of eligible voters via first class mail in accordance with the ATRS policies governing the schedule for active and retirant trustee elections.
4. The date the ballot is to be mailed, the word, "Ballot," and the deadline for receipt of the ballot will be printed on the ballot, along with a brief statement from each candidate. The ballot shall be returned to the contractor. Instructions on the ballots will inform voters the ballots are not to be copied nor returned to the System office, which would render them invalid.

5. Neither the voters' addresses nor social security numbers will be requested and no space will be provided for them on the ballot.
6. One (1) printed list and mailing labels of eligible voters and their addresses will be furnished to each candidate upon request.
7. The system's return address will be printed on the ballots in order for undeliverable pieces to be returned for correction of the system's records.
8. In the event the post office provides corrected addresses for undeliverable ballots, ATRS will correct it's records and then re-mail the ballot to the voter. However, should the undeliverable ballot be received by the system less than (5) days prior to the deadline for returning ballots, the system will correct it's records and will not re-mail the ballot to the voter.
9. The independent contractor will be instructed that ballots will be mailed no earlier or later than one (1) day prior to the date set in the election schedule for both regular and run-off elections, and no later than the scheduled dates ballots are to be mailed.
10. Should it be determined by the Board of Trustees or its agent that the independent contractor has mailed ballots earlier or later than the contracted date, ATRS will assess the contractor a penalty of not less than five thousand dollars (\$5,000.00) in each instance and for each election the ballots are mailed early or late.

ELECTION SCHEDULE FOR ACTIVE AND RETIRANT TRUSTEE ELECTIONS

The election schedule will be as follows:

- ◆ Deadline for nomination - January 31
- ◆ Drawing for ballot position – February 1
- ◆ Ballots to be mailed - March 15
- ◆ Deadline for ballots to be returned - March 30
- ◆ Results certified - April 5

If no candidate receives a majority of votes, a runoff will be held between the two candidates receiving the highest number of votes. The schedule for the runoff will be as follows:

- ◆ Run-off Ballots to be Mailed - May 1
- ◆ Deadline for ballots to be returned - May 15
- ◆ Results to certified - May 20

If one of the above fixed dates is on a weekend or holiday, the above procedures will occur on the next regular work day following such weekend or holiday.

If a candidate receives a majority of the votes cast on the first ballot, he/she will be considered qualified to assume office on July 1. If a runoff is necessary, the candidate receiving the majority of the votes cast will be considered qualified and will assume office on July 1.

CHALLENGE PROCEDURES

A challenge of any ATRS trustee election shall be directed to the ATRS Executive Director within 10 calendar days of the certification of the results of the election in question. The Executive Director will issue a recommendation in writing within 10 calendar days. The Executive Director's recommendation may be appealed to the Board of Trustees within 10 additional days. The Board of Trustees will take action on the appeal within 10 days of its receipt. The challenger will pay expenses incurred by the retirement system as a result of an election being challenged, unless the challenger's assertion is upheld by the Board.

TERMS FOR POSITIONS CREATED BY ACT 418 OF 1997

The terms of Position 6 (Administrator), Position 7 (Non-certified), and Position 8 (Minority), shall commence on January 1, 1998, and shall expire June 30, 2003.

FREEDOM OF INFORMATION, MEMBER RECORDS

In compliance with A.C.A. 24-19-104, the Board of Trustees will release information taken from member records under the following conditions:

1. Unless a member requests information on his account, only the names and addresses of members will be supplied from the records.
2. The request for information must be made in writing to the Executive Director.
3. Any costs incurred in supplying the requested information must be paid by the person or organization requesting the information.

INVESTMENT POLICIES AND PROCEDURES (Rules and Regulations)

STATEMENT OF INVESTMENT POLICY

The *PURPOSE* of the Teacher Retirement System is: to provide an orderly means whereby employees of the participating employers who have attained retirement age may be retired from active service, to enable such employees to accumulate reserves for themselves and their dependents and to provide for old age, death and termination of employment.

Monies of the System shall be invested to achieve the investment *OBJECTIVE* that is to make the monies as productive as possible.

THE STANDARD OF INVESTMENT for the Director and Board of Trustees of the assets of the fund is: investing and reinvesting monies in the fund and in acquiring, retaining, managing and disposing of investments of the fund there shall be exercised "the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

With the preceding purpose, objective, and standards in mind, investment *GOALS* will be established to guide the Director, and investment counsel. Goals will be directed at achieving, over a period of years, the actuarial interest assumption rate of the System, with due consideration being given to preservation of capital and its purchasing power, and to maintaining the element of risk at a prudent level.

Available funds should be invested to achieve a total return level necessary to maintain the fiscal soundness of the fund and to achieve the actuarial reserve requirements within the standards set forth above.

In order for the Board of Trustees to achieve the purpose, objective, standards and goals of the Fund, Investment Counsel (Investment Managers) and an Investment Consultant or Consultants will be retained. Investment Counsel will provide general economic information, as well as recommendations, on specific investments. Investment Counsel will at all times be responsible for the development and articulation of investment strategy, which will be a topic in each of its quarterly reports to the Board of Trustees. The Board's acceptance of the quarterly report of Investment Counsel shall constitute Board approval of investment strategy for the next quarter. In each of its follow-up letters on specific investment recommendations (Item D of Procedures for Investment Counsel), Investment Counsel shall justify each specific recommendation and its relationship to investment strategy approved by the Board of Trustees at the prior regular meeting. The Investment Consultant or Consultants will provide advice on investment results of the Fund using such techniques as market valuation, time weighted rates of return, comparison with capital market indices and/or other relevant measures.

At the time of issuing this Statement of Investment Policy, the actuarial interest rate assumption utilized by the System is 8%. It is the desire of the Board of Trustees that the investment of the funds of the System will achieve a total return that will exceed the interest rate assumption, preserve the purchasing power of the assets and, in addition, produce earnings that may reduce the cost of the Retirement System to the participating employers or provide additional funds so that improvements in the System benefits may be adequately funded. While there can be no assurance that these desires can be achieved, the intent of the Board of Trustees is that by careful selection of individual securities and by constant supervision of the investment portfolio, the long-term value of the funds of the System will be enhanced and the stated goals will be achieved.

The Board of Trustees is sensitive to its responsibility to see that funds of the Teacher Retirement System are invested wisely, prudently and at a rate of return that will support the financial objectives of the System. However, the Board realizes that it would be impractical, if not impossible, of it to make all the investment decisions that are necessary in the management of a large trust fund.

Therefore, the Board, pursuant to authority vested in it by Section 3.04(c) of Act 427 of 1973 as amended, delegates to the Executive Director the authority to purchase, hold, assign, transfer or sell common and preferred stock, government bonds or notes, federal agency securities, corporate bonds or other securities permitted under Section 1 of FAct 412 of 1985 as amended. The Board by resolution dated November 10, 1993, delegates to the Associate Director-Investments in the absence of the Executive Director, the authority to purchase sell, assign and endorse for transfer securities held in the name of the system. Investments in mortgages or in bank capital notes shall have specific approval by the Board before the investments are made. The Board delegates to the Executive Director authority to make short-term investments that are consistent with strategy adopted by the Board and with the general recommendations of Investment Counsel.

Through written and oral reports by Investment Counsel, the Investment Consultant or Consultants and by either the Executive Director or Associate Director-Investments, the Board shall insure that all investments made under this delegation of authority are in conformity with Section 1 of Act 412 of 1985 as amended and with the investment policies and procedures of the System.

Investment Counsel shall observe the following limitations and guidelines subject to the Prudent Investor Rule as amended by Act 412 and Act 1009 of 1985:

PRUDENT INVESTOR RULE. The prudent investor rule, as interpreted and defined by the Federal Employee Retirement Income Security Act (ERISA) of 1974, as amended, and regulations promulgated pursuant thereto, shall be applied by each party serving in a fiduciary capacity for the respective retirement systems. The prudent investor rule means that in making investments the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence,

discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

ASSET ALLOCATION POLICY

It shall be the goal of the Teacher Retirement System to maintain the following asset allocation ranges:

<i>Asset Category</i>	<i>Minimum</i>	<i>Target</i>	<i>Maximum</i>
Domestic Equity	35%	40.0%	60%
International Equity	0%	17.5%	25%
Domestic Fixed Income	10.0%	25.0%	40%
Alternatives*	0%	10%	17%
Timberland	0%	1.5%	3.0%
Arkansas Related	5%	5.0%	10%
Cash Equivalents	0%	1.0%	10%

*In determining the asset allocation for Alternatives, the actual invested amount not the commitments, is applicable; however, the maximum invested amount is the target amount for commitments due to the return of invested asset prior to the full draw down of commitments and a 5% residual factor.

Goals and Guidelines

The overall goal will be directed at achieving, over a period of years, the actuarial interest assumption rate of the System with due consideration being given to preservation of capital and its purchasing power and to maintaining the element of risk at a prudent investor level.

Goal for Equity Investment

The goal for the investment of retirement system funds invested in the equity segment of the capital markets shall be to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices and peer groups over a full market cycle (approximately 5 years). The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to the market sector.

Equity Investment Strategy and Implementation

In accordance with prudent investment practice, the ATRS has adopted a multiple manager equity investment philosophy to increase diversification and enhance total rate of return. The success of the goals for each manager and the aggregate portfolio will be

measured against the investment objectives described in *Goals for Aggregate Equity Investment*.

The ATRS Trustees will be responsible for an annual allocation of assets between the different investment styles of Investment Counsel, to maintain a prudent level of risk and volatility and allow for future growth. An annual asset allocation study will be provided by the Investment Consultant or Consultants.

Goal for Aggregate Equity Investment

The goal for the investment of Retirement System funds invested in the equity segment of the capital markets shall be to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices and peer groups over a full market cycle (approximately 5 years). The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to this market sector.

Goals for Individual Equity Managers

The goal for large cap value oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 1000 Index and exceed the median manager from comparative equity Large Cap Value Style Universes over a full market cycle (approximately 5 years).

The goal for the growth oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 1000 Growth Index and exceed the median manager from comparative equity Large Cap Growth Style Universes over a full market cycle (approximately 5 years).

The goal for mid cap oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell Mid Cap Value or Growth Index and exceed the median manager from comparative equity Value or Growth Style Universes over a full market cycle (approximately 5 years).

The goal for small cap oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 2000 Index and exceed the median manager from comparative equity Value or Growth Style Universes over a full market cycle (approximately 5 years).

The goal for fully diversified international investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the EAFE

Market Cap Index and exceed the median manager from comparative equity International Style Universes over a full market cycle (approximately 5 years).

The goal for emerging markets international investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the MSCI Emerging Markets Free Index and exceed the median manager from comparative equity International Style Universes over a full market cycle (approximately 5 years).

Guidelines for Equity Investments

The statutes (Section 1 of Act 412 of 1985 as amended) will be the guidelines for the equity investment; however, it will be the responsibility of each investment manager to manage his exposure of assets to the equity market on an ongoing basis. It is not the intent of the ATRS to evaluate a manager on his ability to time the equity market but only to evaluate the use of cash as a vehicle to enhance long-term returns. Ability to manage the asset allocation between equities and cash equivalent investments will be evaluated over a full market cycle (approximately 5 years).

Goal for Fixed Income Investments

The goal for fixed income investments will be to maintain a high degree of consistency of total investment return. It is the further goal of the Trustees to reduce the volatility of the principal value of the fixed income investments while maintaining a total investment rate of return, which is consistent with the stated objectives of the entire Arkansas Teacher Retirement System Fund.

Guidelines for Fixed Income Investments

The Arkansas statutes will be the guidelines for the fixed income. The Trustees wish to maintain high quality fixed income investments in the following fixed income securities:

- 1) U.S. Government and Agency obligations or their proxies,
- 2) Debt obligations of U.S. corporations including but not limited to marketable bonds, debentures, convertible securities, medium-term notes, commercial paper, private placements for which there is an active secondary market,
- 3) Mortgage-backed securities and collateralized mortgage obligations,
- 4) Asset backed securities,
- 5) Yankee bonds,
- 6) Limited partnerships investing in debt instruments, including mezzanine finance, and

7) Other such debt instruments deemed prudent by the investment manager, the Investment Committee and the Board. Investments in collateralized mortgage obligations shall not be leveraged investment vehicles, interest only strips, principal strips, inverse floaters, super floaters, jump Z bonds or other illiquid mortgage obligations.

Investment Strategy and Implementation

The strategy of the Fixed Income Investment Manager is to provide the System with high total return (income plus capital appreciation) from fixed income investments within the fixed income guidelines stated previously. Fixed income securities are to be selected and managed to assure an appropriate balance in qualities and maturities consistent with current domestic and international market and economic conditions.

The investment manager may use duration at their discretion (consistent with the type for which they were hired) in order to take advantage of fixed income opportunities that may exist in order to provide additional return from declining interest rates and protection during raising interest rates.

Principal and coupon payments are to be reinvested at the current interest rate so that over the life of the fixed income portfolio a consistency of total investment return will be achieved.

All fixed income investments are to be limited to instruments of companies and institutions that are credit worthy in the opinion of the investment manager. Ratings generated by the credit rating agencies are not to be taken for granted. Intensive financial analyses should be performed on all investments prior to committing the assets of the fund and frequent reviews should be undertaken after the instrument is contained in the portfolio. (Board approved 2/10/98)

It is the responsibility of the investment manager, other than the convertible bond manager(s), to maintain the quality at the average rating of A or better and to advise the sale of any security which in the investment manager's judgment is in jeopardy of being downgraded. Securities rated below B- or B3 may not be held in the portfolio. (Board approved 8/11/98)

The investment manager(s), subject to the restriction of the paragraph above may invest up to 20% of their portfolios in securities which are non-rated or rated below the four highest rating classifications by a nationally recognized rating service. (Board approved 8/11/98)

The investment manager shall also invest in sectors that offer attractive yield spreads versus other sectors of the fixed income market, i.e. which sector (U.S. Government, corporate, mortgages and others) offers the best value at the time of purchase.

Mortgages (Arkansas-Related Loans)

- A) The total principal amount held by the Teacher Retirement System shall not exceed 20% of the total investment holdings of the System.
- B) All mortgage loans shall be first mortgages on property located in Arkansas.
- C) Mortgage investments shall not be made in excess of eighty percent (80%) to value or cost whichever is less, unless insured or guaranteed by an agency of the Federal Government or by a private mortgage insurance company authorized to insure loans purchased by the Federal Home Loan Mortgage Corporation.
- D) Mortgages other than single-family residences must be submitted through an approved Arkansas financial institution or mortgage banking firm and be accompanied by a current financial statement of the proposed mortgagor, prepared by a member of the American Institute of Certified Public Accountants, and an appraisal prepared by an approved state licensed appraiser.
- E) Mortgage servicing agreements may be entered into with commercial banks and mortgage banking companies at competitive rates with mortgage services.
- F) Mortgage investments shall be made only after affirmative recommendation by a Board approved Investment Advisor and approval of the Board of Trustees.

Bank Capital Notes

- A) At no time shall the System have invested more than \$3 million of its assets valued at cost in bank capital notes.
- B) Bank capital notes shall not be subordinated to any other debt of the bank that would be classified as capital except first mortgages on bank property that may exist prior to the time of issue.
- C) Bank capital notes of a single financial institution shall be limited to no less than \$500,000 and to no more than \$2 million.
- D) Investment Counsel shall issue an affirmative recommendation prior to purchase of bank capital notes.
- E) All purchase of bank capital notes shall have prior approval by the Board of Trustees.

Short-Term Investments

- A) Short-term investments managed in-house may include, but are not limited to, government securities, repurchase agreements, which are collateralized by

securities issued by the Federal Government or an agency of the Federal Government, and have a current market value of no less than 100% of the System's investment in repose, certificates of deposit, savings accounts, Commercial Paper of eligible corporations rated A1-P1, bankers' acceptances in an amount not to exceed the capital funds, represented by capital, surplus, and undivided profits, of financial institutions that are insured by an agency of the Federal Government, or mutual fund accounts that are backed by securities that are backed by the full faith and credit of the United States government.

B) Consideration should be given to safety, liquidity needs and rate of return when considering short-term investments.

Small Business Administration Loans

The Teacher Retirement System may invest up to \$10,000,000 in the U.S. Government guaranteed parts of U.S. Small Business Administration loans subject to the following conditions:

A) That the Teacher Retirement System will purchase only the U.S. Government part of any loan.

B) That loans must be made to small businesses located in Arkansas.

C) That the maximum maturity of any loan purchased will be ten (10) years. The average maturity of such loans is expected to be 7 to 8 years.

D) That the rate of return to ATRS will be at least 3/4% more than U.S. Treasuries of the same maturity are being priced to yield at the time each loan is purchased.

E) That the SBA agrees to repurchase any loan on which there is a default on principal and interest payments, unless such loan is repurchased by the bank that sold it to the Retirement System.

F) That the Step-by-step Procedure for Guaranty Sale to Pension Fund that was distributed to members of the Board will be adhered to in the administration of this program.

Certificates of Deposit

The Teacher Retirement System may invest up to \$40,000,000 in insured certificates of deposit of Arkansas financial institutions subject to the following conditions:

A) FDIC Insurance. Implementation of this program is dependent upon the Teacher Retirement System receiving from the Legal Counsel for FDIC acceptable written assurance that deposits made will be covered by FDIC

insurance in the amount of each member's individual account in the fund up to a maximum of \$100,000.00 per member, and that records of the System satisfy FDIC requirements for insurance coverage. The eligibility of a depository institution to receive deposits under this program will be subject to such institution meeting all requirements for FDIC insurance and its issuance of a Certificate of Deposit in accordance with FDIC Regulation 330.1 governing insurability of pension trust fund accounts.

B) Amount of Participation. The \$40,000,000 authorized for this program is a maximum authorization that can be increased only by action of the Board of Trustees. The amount actually invested under this authorization from time to time will be determined by the Investment Committee with the advice of Investment Counsel. Decisions of the Committee will be based on:

- 1) The amount of money that the System has available for fixed income investments
- 2) Rates of return available from this program compared with other investment opportunities
- 3) The amount that the System needs to invest in Arkansas to satisfy the requirements of Act 412 of 1985.

C) Credit Line. If the demand for funds exceeds the amount that the System is prepared to invest, the amount to be deposited in each depository institution will be determined by use of the formula used by the State Board of Finance in the allocation of State Funds, except that in no case will the maximum deposited in any institution be allowed to exceed fifty percent (50%) of the adjusted equity account of the Depository Institution.

D) Rates of Return. CD rates will be indexed off the U.S. Treasury Bill rate for the desired maturity at the time the money is offered for deposit. The rate will not be less than the bond equivalent Treasury yields.

E) Maturity schedules up to a maximum of seven (7) years will be set by the System when funds are made available.

F) Interest will be due and payable semi-annually. Interest will be calculated on a 365-day basis.

G) Funds must be invested in Arkansas. Each depository institution receiving funds under this program will be required to agree in writing that such funds will be used for First Mortgage Home Loans, Home Improvement Loans, Consumer Loans, Business, Commercial, Industrial or Agriculture Loans within the Institution's commonly known "trade area". Funds invested in this program may

not, in any manner, be used by a Depository Institution for lending outside the State of Arkansas.

PROCEDURES FOR INVESTMENT COUNSEL

A. The Board shall have full power to invest and reinvest the monies of the System and to hold, purchase, sell, assign, transfer or dispose of any investments so made, as well as the proceeds of such investments and such monies, provided no investment shall be made by the Board until it has received the advice of its Investment Counsel. Pursuant to A.C.A. 24-3-410, the Board of Trustees will retain such Investment Counsel to provide advice for any or all investments made by the System. In no event will the Director of the System invest funds belonging to the System without the advice of the Investment Counsel who is under contract to provide such advice.

B. The Board of Trustees may employ professional Investment Counsel in either an advisory only capacity or as a money manager with authority to execute transactions. If the Board chooses the latter method of asset management, the funds of the System shall be invested and reinvested in accordance with the following procedures:

1. From time to time the Board shall formulate the policy to be followed in future investment activity. Investment policy shall be reviewed and changed or reaffirmed at least once annually;
2. Investment Counsel shall have full power to hold, purchase, sell, assign, transfer, or dispose of any of the monies or investments of the System pursuant to the provisions of this subchapter and in accordance with the current investment policy filed with the Board;
3. The monies of the System allocated to the Investment Managers shall be actively managed by the Investment Managers, which may include selling investments and realizing losses if such action is considered advantageous to longer-term return maximization;
4. The System shall manage those monies not specifically allocated to investment managers;
5. At least semi-annually, the Investment Counsel shall file with the Board a written report setting forth, for the period since its last report, all investments purchased and sold, all receipts and disbursements, and any other transactions concerning System monies;
6. At each regular meeting the Board shall examine each written report received from the Investment Advisor since the last regular meeting; and

7. Anything in this section to the contrary notwithstanding from time to time the Board may direct a specific investment activity and shall be fully responsible for any such direction.

C. Investment Counsel will make specific recommendations on long-term investments in stocks and bonds. Specific recommendations may take the form of buying and selling programs. The Investment Manager may substitute purchases or sales of other bonds for specific recommendations in a buy and sell program subject to approval of Investment Counsel.

D. Investment Counsel shall be aware of and operate within the Statement of Investment Policy, this Statement of Procedures, and Act 412 and 1009 of 1985.

E. Recommendation by the Counsel for portfolio changes will be made by a confirmation letter that sets out the specifics of the recommendation. The letter should be mailed to the system within thirty (30) days.

F. The Investment Counsel will report in person to the Board of Trustees on a quarterly basis.

G. Investment Counsel will provide a list of assets with cost and market value comparisons monthly.

H. Investment Counsel shall:

1. Provide a monthly letter (1-2 pages) to the individual Trustees and the Director discussing the month's activity, highlights, unusual situations, and whatever else may be necessary to provide a brief overview of the Investment Counsel's portfolio; notify the Board and the Director in writing of any material change in strategy.

2. Provide a quarterly letter to the individual Trustees who request it, as well as the Director, and a written and oral report at the appropriate Board of Trustees meeting. Written and oral reports should contain whichever of the following as are necessary to enable the Board of Trustees to be aware of the Investment Counsel's portfolio make-up, portfolio activity, and anticipated action:

- a) Economic overview
- b) Review of recent and anticipated investment activities
- c) Analysis of major changes that have occurred since the last report
- d) Comments on the general condition and anticipated action of the securities market

- e) Approximate current income yield of the portfolio at reporting date
 - f) Present portfolio strategy as relates to stock/bond ratio and changes likely to occur in the following quarter
3. Counsel will advise the Board in writing of changes in key personnel, ownership, and any changes in bonding and fiduciary liability insurance coverage.

Loaning of Securities

In order to increase investment income with minimal risk, the Board of Trustees may loan bonds, stocks, or other securities, but only if, at the time the loan is executed, at least 102% of the full market value of the security loaned shall be collateralized by cash or securities.

At all times during the term of each loan, the collateral shall be equal to not less than 100% of the full market value calculated on the total value of all securities on loan.

PROCEDURES - PURCHASING AND SELLING OF CORPORATE BONDS AND STOCKS

A. Delegation of Authority to execute specific investment transactions

- 1. Pursuant to authority vested in it by A.C.A. 24-3-410 the Board of Trustees of the Teacher Retirement System, in a quarterly meeting on February 9, 1993, voted to authorize its Investment Counsel for equities, to execute specific equity investment transactions for the System.

ROLE OF INVESTMENT CONSULTANT

The responsibilities of the designated Investment Consultant or Consultants with respect to the Board of Trustees and Director, shall be to:

- A. Assist the Board to develop, and from time to time change its Investment Policy Statement due to broad economic and/or statutory changes in the State of Arkansas.
- B. Develop portfolio strategies and plan for portfolio growth.
- C. Assist the Board in selection and control of Investment Counsel.
- D. Monitor the investment performance of Investment Counsel.

PROCEDURES FOR EMPLOYING INVESTMENT COUNSEL

- 1. The Board of Trustees shall designate the type of Investment Counsel to be employed.

2. The Investment Consultant will compile a list of the top twenty (20) firms in the type of Investment Counsel designated by the Board.
3. The Investment Consultant, and a committee composed of the Executive Director and other staff members designated by the Executive Director, known as the Screening Committee, shall determine the firms on which the Investment Consultant will conduct due diligence.
4. The Investment Consultant and the Screening Committee will select five (5) firms to be interviewed by the Investment Committee.
5. The Investment Committee shall interview the firms and select one (1) firm to recommend to the Board of Trustees.

PAYMENT OF INVESTMENT COUNSEL FEES

1. In addition to the various retirement systems funds established as trust funds in the State Treasury, a bank trust fund or funds may be established and maintained in such depository bank or banks as may be designated by the boards of trustees of the respective retirement systems.
2. Each bank fund shall consist of and there may be deposited in the fund:
 - a) Any and all employer contributions, including any interest;
 - b) Any and all employee contributions, including any interest;
 - c) Interest, dividend, and other incomes realized from investments and reinvestments;
 - d) Interest earned upon any moneys in the fund; and
 - e) Such other proceeds as may be derived from the sale, exchange, redemption, transfer, or disposition of any securities or investments.
3. The following disbursements may be made from the bank funds:
 - a) Payments for any and all securities and investments, the purchase of which is authorized by law, which may include principal, accrued interest, commission, taxes, and fees;
 - b) Payments for money manager and custodian bank fees;
 - c) The deposit to the appropriate State Treasury fund for the payment of annuities and refunds as authorized by law that are paid on vouchers issued by the

respective retirement systems and on warrants issued thereon by the Auditor of State;

d) The payment of annuities and refunds as authorized by law that are paid on cash fund vouchers issued by the respective retirement systems and on checks or wire transfers issued from bank funds; and

e) The deposit to the appropriate State Treasury fund for payments of salaries, maintenance, and operating expenses of the retirement systems supported from investment earnings.

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INVESTMENT COMMITTEE

POLICIES

1. There shall be an Investment Committee composed of six (6) members of the Board of Trustees. Four (4) will be appointed by the Chairman of the Board. The Chairman and Vice-Chairman of the Board shall serve as ex-officio voting members of the Committee.
2. Appointments shall be for terms of four (4) years. A trustee may be appointed to two (2) consecutive four (4)-year terms.
3. The Committee shall elect its own Chairman. The Executive Director may serve as secretary to the Committee or delegate another member of the staff to serve in this capacity.
4. Four (4) members of the Investment Committee, one (1) of whom must be the Chairman or Vice-Chairman of the Board of Trustees, shall constitute a quorum. Six (6) members are present, four (4) affirmative votes are required to approve an investment submitted to the Investment Committee; if five (5) or four (4) members are present, three (3) votes are required.
5. The Committee shall meet on call by the Chairman and/or the Executive Director, but not less than on a quarterly basis (provided there is business pending before the Committee).
6. The primary purpose of the Committee shall be to consider investment proposals other than stocks, U.S. Government Corporate Bonds, or short-term investment transactions, which are routinely recommended by Investment Counsel and executed by staff. Such proposals usually will be, but do not have to be Arkansas-related investments submitted under Act 412 of 1985.
7. The Committee may develop guidelines or procedures for certain U.S. Government guaranteed investments such as Small Business Administration loans, Arkansas-related investments, and FDIC insured certificates of deposit issued by Arkansas financial institutions. Such guidelines or procedures shall be submitted to the Board of Trustees for approval. Investments, which are specifically covered by approved guidelines, may be administered by the ATRS Director and/or Associate Director-Investments.
8. Investments which are not guaranteed or insured by the U.S. Government or an agency thereof shall be made only with approval of the Board or the Investment Committee subject to the following conditions:

- a. Investment proposals, which can reasonably be held until a meeting of the full Board is scheduled, will be approved only by action of the full Board. Such proposals will be considered first by the Investment Committee and will be considered by the full Board only if recommended by the Investment Committee.
- b. Proposals for investments of less than \$5,000,000 may be approved by the Investment Committee provided it satisfies all requirements of Board policies for such investments.
- c. Special meetings of the Board may be called to consider investment proposals which do not meet the conditions in (b) for approval by the Investment Committee, but which the Chairman of the Investment Committee and Director feel are of sufficient importance and urgency to justify a called meeting of the Board. Decisions on whether or not to call special Board meetings to consider investment proposals shall be made jointly by the Chairman of the Board, the Chairman of the Investment Committee and the Executive Director.
- d. All available information about each investment proposal to be considered shall be mailed to each Trustee at least one week prior to the meeting at which consideration is scheduled. No special meetings to consider investments will be held unless such information has been provided to Trustees.
- e. The Screening Committee shall have the authority to renew loans that have performed according to loan documents. This shall include, but not be limited to, raising and lowering interest rates, release, substitute or require more collateral and make adjustments in life insurance requirements. Should loan documents be adjusted, the Investment Committee shall be notified at the next regular meeting.
(Amended by Board 8/10/99)

PROCEDURES

PURCHASING FHA, VA AND INSURED CONVENTIONAL MORTGAGES

1. Based on consistent investment strategy, Investment Counsel shall recommend purchase of FHA, VA and/or insured conventional mortgages.
2. Rate of return shall be consistent with current market conditions. Servicing fee shall be a competitive rate.
3. Loans submitted for approval to the Retirement System must be in an amount of not less than \$20,000 and cover homes not over five (5) years old.
4. Applicants must be 21 years of age. Applications by co-mortgagors are not acceptable.
5. The submitted loans are reviewed by the Investments Administrator and the Associate Director-Investments.
6. When mortgages are presented to the Teacher Retirement System for its review, the following items must be included:
 - a. Mortgagee's Application
 - b. Supplement to Mortgagee's Application, and Mortgagor's Statement
 - c. Verification of Employment
 - d. Verification of Deposit
 - e. Credit Report
 - f. Offer and Acceptance
 - g. Photographs of Property
 - h. FHA Commitment Form
 - i. VA Certificate of Reasonable Value, or Appraisal
 - j. Other Exhibits the Retirement System may specify
7. If a mortgage investment is acceptable to the Teacher Retirement System staff, it is then presented to the Board of Trustees for approval. If approved a commitment is then made to a servicing company.
8. The servicing company files a repurchase agreement and forwards to the Retirement System all documents necessary for the closing of the loan. These documents are as follows:
 - a. Invoice
 - b. Deed of Trust Note
 - c. Deed of Trust

- d. Assignment of Deed of Trust
 - e. Certificate of Hazard Insurance Policy
 - f. Tax Report
 - g. Title Insurance
 - h. FHA Form 2080
 - i. Final compliance Inspection Report
 - j. Builders Warranty of Completion or Verification of Completeness by Appraiser
 - k. Plat of Property
 - l. Amortization Schedule
9. Payment is made by check on the local bank account, or wired per instructions.
9. All documents pertaining to the loan are filed in the Teacher Retirement System office. The Deed of Trust, the Deed of Trust Note, and Assignment of Deed of Trust of the mortgagor are filed in the fireproof vault in the office of the custodian for the Teacher Retirement System.

MEMBERSHIP

POLICIES

1. Membership in the Teacher Retirement System shall be an integral part of the agreement entered into by a member and his board or employing agency. Membership is automatic and the cooperation of the member is needed to fulfill the rules and regulations as adopted by the Board of Trustees and required by law. (Act 866/99)
2. Beginning July 1, 1989, membership in the System covers all employees of the school district. Those employees whose non-teaching service began before July 1, 1989, and whose non-teaching service is covered or coverable by the Public Employees Retirement System, shall continue to be covered by that system for all non-teaching service. All persons newly hired after July 1, 1989, by a covered employer shall become members of the Teacher Retirement System. Beginning July 1, 1991, all part-time persons, except public school students, employed in a covered position shall become members of the Teacher Retirement System. Beginning July 1, 1993, employees who accumulate less than thirty (30) days of credited service within a fiscal year are not eligible for membership in the Teacher Retirement System.

Effective July 1, 1993, membership in the Teacher Retirement System shall include employment in a position with an educationally related agency if the employee is or has been a member of the Teacher Retirement System for a minimum of five (5) years and elects to become or remain a member of the system. The employment shall be related to the training of public school employees or school board members or teaching public school students or in adult education programs. The employment shall not be related in any manner to private schools. The employer shall be responsible for all required employer contributions.

A person, who has excluded himself from membership before July 1, 1991, may rescind the exclusion by filing with the system a Membership Data Form.

3. Effective July 1, 1997, under certain conditions, membership in the Teacher Retirement System shall include employment in an enterprise privatized by a public school district. If a public school district should privatize any of its services, any individual who is or was employed by the school district in one of those services and who is or has been a member of ATRS may elect to remain a member provided the Board of Trustees determines by adopting rules and regulations that participation of these employees in the system will not in any way impair any legal status of the system, including, but not limited to, its status as a governmental plan, or have a substantial adverse impact on the actuarial soundness of the system. In addition, the private provider must assume all responsibility for the required employer

contributions and any fees for obtaining IRS rulings or ERISA opinions. (Amended by Act 1064 of 1997) See "Privatized Employers and Nonprofit Corporations Requesting Entry into the Arkansas Teacher Retirement System."

4. Effective July 1, 1997, under certain conditions, membership in the Teacher Retirement System shall include employment in positions with educational nonprofit corporations, provided the nonprofit corporation has elected to participate in the Arkansas Teacher Retirement System and the Board of Trustees determines by adopting rules and regulations that participation of these employees in the system will not in any way impair any legal status of the system, including, but not limited to, its status as a governmental plan, its tax-qualified status under the Internal Revenue Code, or would subject the plan to additional federal requirements, or have a substantial adverse impact on the actuarial soundness of the system. Such employment shall be related to the training of public school employees or school board members, teaching public school students, or in adult education programs. The employment shall not be related in any manner to private schools. Each educational nonprofit corporation shall be approved according to rules and regulations established by the Board of Trustees to be considered an employer, and such nonprofit corporation assumes all responsibility for the required employer contributions and any fees for obtaining IRS rulings or ERISA opinions. (Amended by Act 1064 of 1997; Act 865 of 1999)

a) All employees of a new ATRS employer must participate in the Arkansas Teacher Retirement System as a condition of their employment.

b) Employees of a new ATRS employer will enter the system as a non-contributory member, and be allowed one (1) year from the date the new employer is approved by the Board of Trustees to make an irrevocable choice to participate in either the contributory or non-contributory plan.

c) Employees of a new employer who want to purchase their previous service with the new employer may do so in accordance with the policies pertaining to the purchase of prior service. Service with other Arkansas educational nonprofit corporations not covered by ATRS may be purchased in accordance with the policies pertaining to the purchase of private school service.

d) A retiree who is working for a new ATRS employer on the date the employer is approved by the Board of trustees, may continue employment with the employer and not be subject to the ATRS earnings limitation.

ACTIVE MEMBER

DEFINITION

"Active member" means any person rendering service covered by the System.

POLICIES (Amended by Act 542 of 1995)

An active member means a person rendering teaching service and contributing to the System as follows:

- a) For the purpose of crediting service in a fiscal year, a member must earn a year of credit (120 teaching days) or a fraction thereof (not less than 1/4 year - 30 teaching days)
- b) Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment, and leave of absence with pay upon which the member is making contributions or is a non-contributory member, also continues active membership
- c) Deferred members acquire survivor, disability, and early retirement privileges after rendering 30 (thirty) days of service credit subsequent to reentering the Teacher Retirement System.
- d) An employee who is considered inactive, will become an active member after returning to employment and completing at least 30 (thirty) days of credited service.

INACTIVE MEMBER

DEFINITION

"Inactive member" means a member who is vested but not in a current position covered by the System.

POLICY (Board approved 11-10-98)

1. A monthly report will be generated for deferred inactive members within 90 days of retirement eligibility.
2. ATRS will write deferred inactive members to inform them of their eligibility for benefits. A retirement application and all documentation necessary will be included with this correspondence.
3. The effective date will be the first of the month next following the later of, the month the member reaches age 60, or the date the completed written application is received by ATRS.

INELIGIBLE MEMBERSHIP

DEFINITIONS

1. Teachers and other employees who are eligible for membership in the Teacher Retirement System are ineligible for membership in another state retirement system while employed in a position covered by Teacher Retirement.
2. Beginning July 1, 1993, employees who accumulate less than thirty (30) days of credited service within a fiscal year are not eligible for membership in the Teacher Retirement System.

BENEFITS HANDBOOK

A benefits handbook is published by the Arkansas Teacher Retirement System following each regular session of the Arkansas legislature. It is the policy of the System to provide the most recent edition of the "Summary of Benefits Handbook" to each member who submits to the System a Membership Data Form. Handbooks are also made available to members who attend preretirement counseling sessions/workshops, and availability of the "Summary of Benefits Handbook" is announced in each issue of the System newsletter which is mailed to active and retired members. (Board approved 8/11/98)

MEMBER ANNUAL STATEMENT

Member annual statements are generated at the close of each fiscal/school year for active members who have salary reported to ATRS. These statements are normally printed in late August and mailed to the member's home address.

The Personal Data section includes the member's name, address, social security number, date of birth, sex, beneficiary(s), service credit plan type (contributory/non-contributory), and salary earned for the fiscal/school year.

If a member has contributions, the previous year's balance is printed plus any contributions added for the fiscal/school year and the amount of accrued interest. If the member is in the process of making payments toward the purchase of service credit and a balance is due, that amount will also be reflected on the statement.

NON-MEMBER

DEFINITION

A "non-member" is a former member who is not contributing to the System and who is not vested.

POLICIES

1. A non-member who returns to service after July 1, 1971, and who did not withdraw his contributions must render 120 days of continuous service (fractional years may be combined if rendered in consecutive succeeding years) to reestablish prior credit.
2. A non-member who returns to service and who did withdraw his contributions may repay his refund. He must render thirty (30) days of service subsequent to his re-entry before the repaid refunded service is credited.

DEFERRED MEMBER

DEFINITION (Amended by 1053 of 1997)

A "deferred member" is a member who has five (5) or more years of credited Arkansas service. For additional information see "Deferred Retirement".

NON-CONTRIBUTORY SERVICE

DEFINITIONS

1. "Non-contributory service" is service on which a member has elected not to make contributions to the Teacher Retirement System and to accept a reduced retirement annuity for the years of service on which he/she does not contribute.
2. A "non-contributory election" is a written election by a member to stop making contributions. To be valid, an election must be on a special election form provided by the system, and signed by both the member and the employer.

POLICIES (Amended by Act 907/99)

1. All service rendered before July 1, 1986 is contributory service. Active members do not become eligible for a refund of contributions by signing a non-contributory election form.
2. Effective July 1, 1999, all new members under contract for 181 or more days will make contributions to the Teacher Retirement System. (Acts 81 and 907/1999)

3. All new members under contract for 180 days or less will have one (1) year from their hire date to make an irrevocable election to make member contributions.
4. New members who are not under contract will not make member contributions.
5. All current active members will make an irrevocable election to be contributory or non-contributory on or before June 30, 2000. This election will remain in effect for the remainder of the member's career. If no election is made by June 30, 2000, the member will remain in the plan he/she was in as of that date.
6. All former, active members who enter the System after June 30, 1999, must make an election within one year of his re-entry. If no election is made the member will be enrolled in the plan in which he/she was in prior to re-entry.
7. For purposes of administration of Act 907 of 1999, full-time employees of state agencies covered by the Teacher Retirement System will be classified the same as members contracted for 181 days or more (See Policy #2).
8. For purposes of Act 907 of 1999, part-time employees of state agencies covered the Teacher Retirement System will be classified as new members who are not under contract (See Policy #4).
9. Any former active member who had been contributing on a maximum salary of \$7800, returns to work on or after July 1, 1995, and elects to make contributions to the System will contribute on his/her full salary.
10. The Deputy Director will make the final decision in accepting election forms where the member made an apparent error by sending the wrong form, or when forms are received after the deadline through no fault of the member.

PROOF OF YEARS OF SERVICE

DEFINITION

Teaching service or other duties performed pertaining to one's occupation must be made in affidavit form or on special forms drafted by the System. A year of service beginning with the establishment of the System will be from one day to 120 days, from July 1 to June 30 of a fiscal school year as set forth by the following policies established by law and the Board of Trustees of the Teacher Retirement System.

POLICIES ON SERVICE AFFIDAVITS

Membership

1. One day or more is a year of service when rendered prior to February 11, 1949 and proved prior to July 1, 1955, unless otherwise determined by information in the folder. "Proved" for membership service means service rendered and contributions paid before February 11, 1949 or a contract entered into prior to July 1, 1955 to pay such contributions at a later date and at least a partial payment is made.
2. Sixty (60) days in a fiscal year is a year of service when rendered and proved between the period of February 11, 1949 and July 1, 1957.
3. Eighty-five (85) days in a fiscal year is a year of service when proved subsequent to July 1, 1957. (1957-71)
4. One hundred twenty (120) days in a fiscal year is a year of service beginning July 1, 1971 to present.
5. Service rendered and proved prior to July 1, 1957 can be combined to count as a year of service provided:
 - a. The minimum number of days combined is 85.
 - b. The maximum number of fiscal years to be combined is three (3) and the years do not have to be consecutive.
 - c. The minimum number of days in a fiscal year to be counted is thirty (30).
6. Service rendered subsequent to July 1, 1957 and proved before July 1, 1971 (1957-1971) can be combined to count as a year of service provided:
 - a. The minimum number of days to be combined is 85.
 - b. The maximum number of fiscal years to be combined is two (2).
 - c. The fiscal years combined must be consecutive years.
 - d. The minimum number of days in one fiscal year is forty (40).
7. Fractional Years of Service Policy - Beginning July 1, 1971 for teaching service rendered in any one fiscal school year shall be determined in accordance with the following table:

Number of Days	Years of Service Credited
1 - 29	None
30 - 59	$\frac{1}{4}$ year
60 - 89	$\frac{1}{2}$ year
90 - 119	$\frac{3}{4}$ year
120 days or over	1 year

8. Four (4) hours shall be required as the minimum for a "day of service" for all employees. Twenty (20) days shall be considered a month.
9. If the Retirement System has made a commitment to a member that he may purchase service not previously established, the commitment must be honored if partial or full payment has been accepted.
10. The 1937-38 year may be established as a back contribution year without cost to the member, unless contributions were paid for the 1937-38 year and later refunded. In such case, the amount of refund plus interest must be paid in order to establish credit for the 1937-38 year. Proof submitted subsequent to July 1, 1971 must show a minimum of 120 days of service.

PRIOR SERVICE
(Amended by Act 142 and 206/97; Act 866/99)

DEFINITIONS

1. Teaching service performed before July 1, 1937 is considered prior service. Such service must have been proved by affidavits and filed with the System before July 1, 1959. Credit was allowed under the following provisions:
 - a) Proof of service rendered prior to 1937 is considered prior service. Such service must have been proved by affidavits and filed with the System before July 1, 1959, to be counted as credited service unless marked otherwise or correspondence in folder so states. The 1937-38 year may be proved at any time at no cost to the member and counted as membership year, except withdrawn contributions, if any, for 1937-38 must be repaid.
 - b) Prior service proved prior to July 1, 1955, is acceptable if affidavit was signed by father, mother, brother, sister, former co-worker, neighbor etc. and notarized -- unless affidavit was signed by a school official. In that case, signature did not have to be notarized.
 - c) Prior service proved after July 1, 1955 must be signed by a school official where service was rendered or by country school supervisor where service was rendered. Form should indicate number of days or months of service rendered.
 - d) Unless proof is otherwise marked and number of months is not indicated, we will assume it is a year of service.
 - e) If proof does not meet the above specifications but was filed prior to July 1, 1959, we will give the member an opportunity to submit an acceptable proof. If proof filed does not meet these specifications but correspondence indicates member has been given credit for prior service, we will not take it away from him.
 - f) Upon re-entrance, subsequent service for 120 days and repayment of withdrawn service, a member's microfilmed proof of prior service is sufficient for service credit.
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 6%).
3. Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES

1. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System that authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
2. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

MEMBERSHIP SERVICE

DEFINITION

"Membership service" means service rendered and contributions paid on salary received after July 1, 1938.

POLICIES

1. After July 1, 1971 for the purpose of establishing service based on back contributions, the number of days required to establish a year of service since 1937 is 120 days.
2. Fractional years of credit may also be established only for service rendered after July 1, 1971.

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SALARY DETERMINATION FOR RETIREMENT SYSTEM PURPOSES

DEFINITIONS (Amended by Acts 460, 542 and 638 of 1995)

1. "Salary" means the remuneration paid an employee in a position, or positions, covered by the system and on which the employer withholds federal income tax. It includes remuneration received from all covered employers during a school fiscal year. However, compensation in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code shall be disregarded. The limitation on compensation for 'eligible employees' shall not be less than the amount that was allowed to be taken into account under the system as in effect on July 1, 1993. For this purpose, an 'eligible employee' is an individual who was a member of the system before the first plan year beginning after December 31, 1995. However, when a member retires, the current year's salary used in the computation of retirement benefits shall not exceed one hundred ten percent (110%) of the previous year's salary, unless the increase is a direct result of a promotion, change in position, incremental increases provided in the school district salary schedule, or an increase in school revenues, unless the increase is a direct result of a promotion, change in position, incremental increases provided in the school district salary schedule, or an increase in school revenues.
2. "Covered salary," means the portion, or all, of an employee's salary that is covered by the system. For each member who first became a member before July 1, 1971 his covered salary for each year after June 30, 1969 is the first \$7,800 of this total annual salary for all covered employment unless he has elected to make contributions to the system on his full salary. For each member who first became a member after June 30, 1971 or who has elected to make contributions on full salary, his covered salary is his full salary for all covered employment; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds that include contributory service, he must pay the additional contributions due to change to full salary. Any former active member who returns to covered employment on or after July 1, 1995, and who elects to make contributions to the system shall contribute on his full salary.
3. "Covered Employer" means each employer for whom a member renders service in a covered position.

POLICIES (Amended by Acts 460 and 638 of 1995; Act 11/99)

1. In determining "salary" employer pick-up contributions, cafeteria plans as defined in 21-5-901, and employee contributions to tax-sheltered annuities shall be included, provided, however, a member may establish salary earned under a purchase service contract with a covered employer by paying employee and employer contributions plus interest.

2. Money which is in lieu of remuneration and which is used by an employer to purchase a qualified tax-sheltered annuity or a life insurance policy for an employee shall be considered as salary for system purposes.
3. An employee who is receiving remuneration under both a regular contract and a purchased contract or under both a regular contract and a contract won through litigation shall have only the greater of the two amounts considered as "salary" for System purposes.
4. Should an employee make a charitable donation, or return any part of his salary, to his employer, the amount of his recurring remuneration otherwise useable as "salary" shall be reduced by such amount or amounts to arrive at his "salary" for System purposes.
5. "Final average salary" means the average of the annual salaries paid during the three (3) years of credited service producing the highest annual average, subject to the provisions in Item 1.
6. The system will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in policies 1-3. In case of doubt, the facts will be determined and the Board will decide whether or not payments reported as salary can be accepted as salary for retirement purposes. Contributions based on payments that are not salary for retirement purposes will be refunded as promptly as possible.
7. If a member is making contributions to the system on a covered salary of \$7,800 rather than his full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800 (\$468). Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.
8. If an eligible employee of a government entity, as defined in Act 810 of 1987, elects to participate in a cafeteria plan which meets the requirements of the Federal Internal Revenue Code, the amount which such employee's salary is reduced pursuant to a salary reduction agreement, as defined in Act 810 of 1987, shall continue to be included as compensation for the purpose of computing retirement benefits. Employees participating in the contributory plan will pay 6% of the total salary earned before such reductions are made, and employers will report the total salary earned before reductions.
9. Each employer shall deduct the member contributions from the salary of each contributory member on each payroll from the date of entrance into the system until retirement. However, compensation in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code shall be disregarded. The limitation on compensation for 'eligible employees' shall not be less than the amount that was allowed to be taken into account under the system as in effective on July 1, 1993. For

this purpose, an 'eligible employee' is an individual who was a member of the system before the first plan year beginning after December 31, 1995.

10. In case of any dispute concerning an employee's salary for system purposes, the system shall have the power to settle the dispute.
11. For persons who are retiring and who are employed in agencies or other institutions that use the state 26-week payroll, employers should report to Teacher Retirement the salary, contributions, and actual days worked through the current year payroll period. Contributions should not be withheld on any salary earned after the close of the current year's payroll, nor should any salary or days of service be reported for that period of time. (Board approved 8/11/98)

AGE AND SERVICE RETIREMENT

ELIGIBILITY (Amended by Acts 281 and 282 of 1995; Act 992 and 1053 of 1997)

1. Effective July 1, 1998, any active member who attains age 60 and has 5 or more years of credited service may voluntarily retire upon written application filed with the Board of Trustees. Benefits are effective the first day of the calendar month next following one month after the receipt of the application for retirement, provided his employment has terminated; i.e., the application must be filed by May 31 if retirement is to be effective July 1..
2. Effective April 1, 1997, any active member who has 28 or more years of credited service but has not attained age 60 years may voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin under the same provisions as stated in Item 1 above.
3. Effective April 1, 1997, any inactive member who has 28 or more years of credited service may also voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin the first of the month following the date of application.
4. An inactive member with 25 or more years of credited service may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the lesser of the member's age to 60 or his years of credited service to 28. Said annuity shall begin the first of the month following the date the application is received.
5. Any active member who has 25 or more years of credited service but has not attained age 60 may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the same as stated in Item 4.
6. In no event shall such annuity begin earlier than the July 1 next following a fiscal school year for which the member has signed an employment contract unless his contract is terminated with employer consent before the year of service is rendered.
7. Effective July 1, 1995, a member retiring with an effective date other than July 1, who has not completed his employment contract and who wants to retain credit for service within the current fiscal year may make application to retire one (1) full month prior to the month benefits are to be effective. No salary earned during the fiscal year may be used in the computation of benefits and no more than one-fourth (1/4) of a year of service credit shall be given for each quarter completed, regardless of the number of days worked in a quarter. If a member has signed an employment contract for a fiscal year and has been paid in full for that year, benefits shall not become effective until July 1.

Minimum Benefits (Amended by Act 1053 of 1997; Act 221/99 and 396/99)

1. Any member who has 10 or more years of credited service shall receive the following minimum benefit: \$150.00 per month if the member has only contributory credited service; \$94.00 per month if the member has only non-contributory service; and a monthly amount prorated between \$94.00 and \$150.00 if the member has a combination of contributory and non-contributory service.
2. A member who has at least five (5) years of contributory service, regardless of his number of years of non-contributory service, his monthly annuity shall not be less than one hundred dollars (\$100.00) per month. (Act 221/99)
3. Any member retiring July 1, 1998 or later and who has 5 or more years of credited service shall receive the following minimum benefit: \$100.00 per month if the member has only contributory service; \$64.00 per month if the member has only non-contributory service; and a monthly amount prorated between \$64.00 and \$100.00 if the member has a combination of contributory and non-contributory service.
4. Beginning July 1, 1998, if a member has at least five (5) years of contributory service, regardless of his number of years of non-contributory service, his monthly annuity shall not be less than one hundred dollars (\$100.00).

BENEFITS FORMULA (Amended by Act 992 of 1997; Act 396/99)

For payment periods April 1, 1997 and later, the benefits payable under the above formula shall not be less than the total number of years of credited service multiplied by not less than 2.065% of his final average salary, except that benefits shall not be less than 1.305% of his final average salary multiplied by his number of years of credited service rendered after July 30, 1986, for which no member contributions were made.

For an increase(s) in benefit formulas to be effective, the regular annual actuarial valuation for the calendar year immediately preceding the effective date of the increase(s) shall be based upon an investment rate assumption of no more than eight percent (8%) and shall indicate that up to and including a twelve percent (12%) of pay employer contribution rate is sufficient to amortize all unfunded actuarial accrued liabilities for members over a period of thirty (30) years or less. For any increase to be effective on a scheduled date, all increases scheduled for that date must collectively meet the minimum financial conditions.

On any scheduled date the increases do not collectively meet the minimum financial conditions, the Board of Trustees shall have the authority to delay the increase until the minimum financial conditions are met. Such delayed increase shall only be given on a July 1 and shall be the increases set out above.

For payment periods April 1, 1997, and later, the benefits payable under the above formula shall not be less than the total number of years of credited service multiplied by

not less than 2.065% of his final average salary, except that benefits shall not be less than 1.305% of his final average salary multiplied by his number of years of credited service rendered after July 30, 1986, for which no member contributions were made.

Act 396 of 1999 provides the ATRS board authority to increase the multiplier used to compute retirement benefits from 2.065% to 2.15% for contributory service and 1.305% to 1.39% for non-contributory service when actuarially appropriate. In addition, this legislation authorized the Board to provide an increase for retirees and beneficiaries already on the retirement rolls.

BUILT-IN COST OF LIVING INCREASE

1. Beginning July 1, 1983, and each year thereafter, all retiree who have been on the rolls 12 months or longer shall receive a 3% increase. This increase will be added each year as long as they remain on the benefit payrolls (Act 400/99).
2. Act 404 of 1999 grants the ATRS Board of Trustees authority to compound the cost-of-living adjustment when actuarially appropriate.

ADDITIONAL BENEFIT (Act 400/99)

Members retiring after July 1, 1999, shall receive an additional benefit of \$50.00 per month over and above their regular annuity. The ATRS Board may authorize raising the additional benefit to an amount not to exceed \$125 per month.

SUSPENSION OF BENEFITS (Act 29/99)

Anyone entitled to receive an annuity from the system may request the ATRS Executive Director in writing, for personal reasons and without disclosure, to suspend the payment of all benefits otherwise payable to him/her by the system. Upon approval to authorize suspension of benefits, the person shall be deemed to have forfeited all rights to the benefit but will retain the right to have the full benefit reinstated upon written notice to the Executive Director to revoke the request for suspension.

FRACTIONAL YEARS OF SERVICE CREDIT

Board policy allows fractional years of credit for service rendered after July 1, 1971, as follows:

Number of Days	Years of Service Credit
0 - 29	None
30 - 59	1/4 year
60 - 89	1/2/year
90 - 119	3/4 year
120 or more	1 year

For a member retiring before August 13, 1993, if any fractional part of a year in which the member retires is used in computing benefits, the effective date of benefits would be the following July 1. The member would have the option of forfeiting the fractional year. In this case, contributions that he made during the year in which he retired would be refunded to him upon request. If the member chose this option, his benefits would be computed on his service through the preceding fiscal year.

In no event shall such annuity begin earlier than July 1 next following a fiscal school year for which the member has signed an employment contract unless his contract is terminated with employer consent before the year of service is rendered.

For a member retiring after August 13, 1993, with an effective date other than July 1, who has not completed his employment contract and who wants to retain credit for service within the current fiscal year, his retirement date may be October 1, January 1 or April 1. No salary earned during the fiscal year may be used in the computation of benefits and no more than one-fourth (1/4) of a year of service credit may be given for each quarter worked, regardless of the number of days worked in a quarter. If a member has signed an employment contract for a fiscal year and has been paid in full for that year, benefits shall not become effective until the next July 1.

Should a member not want to retain his current year service credit, his retirement will be handled in the same manner as if he had retired before August 13, 1993.

POLICIES (Amended by Act 528 of 1995; Act 143 of 1997)

1. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay upon which the member is making contributions also continues active membership.
2. Errors or changes not affecting computation of benefits - Effective July 1, 1971, if additional Teacher Retirement contributions are remitted by an employer for any retirant, and the additional salary does not result in an annual increase or decrease of

at least \$5.00, we will transfer the contributions from the Members Deposit Account to the Employer's Accumulation Account without making any change in the records in the member's folder. These transfers will be made annually or as deemed necessary. If the additional salary does increase or decrease the retirant's benefits at least \$5.00 annually, we will recompute benefits and make the necessary changes in the member's records.

3. A member may cancel his application for retirement benefits any time prior to thirty (30) days after the later of: the effective date of benefits; or the signing of the Final Retirement Contract. The member shall notify the Teacher Retirement System of such cancellation in writing within the 30-day period, and he shall again become eligible for active membership in the system. This shall be in effect for the 1993-94 fiscal year and thereafter.
4. Terminal leave earned prior to the date of termination of employment does not change the date of termination, although a lump sum payment is made subsequent to the date of termination. The key to termination is the date the employee actually goes off the payroll.
5. Benefits are payable through the month in which the retirant's death occurs.
6. Annuity Options: Before the date the first payment of an annuity becomes due, but not thereafter, except as provided under item 7, a member retiring on age and service or disability may elect to receive his annuity provided in one of the following options:

Option 1: He may elect his annuity as straight life annuity payable as long as he lives. Upon his death the difference, if any, between his accumulated contributions, plus interest, and the amount paid in benefits, shall be paid to the beneficiary, if living; otherwise it will be paid to the estate.

Option A: He may elect the actuarial equivalent of his straight life annuity in a reduced annuity payable throughout his life and, upon his death, his reduced annuity shall be continued throughout the life of, and paid to, such person as he shall have nominated by written designation duly executed and filed with the Board of Trustees prior to the date of the first payment of his annuity becomes due. Such person must either be his spouse for not less than one year immediately preceding such first payment due date or another person, aged 40 years or older, receiving more than one-half support from the retirant for not less than one year immediately preceding such first payment date, provided the age 40 requirement shall not exclude designation as beneficiary a dependent child who has been ruled physically or mentally incompetent by an Arkansas court of competent jurisdiction (or by the Board).

Option B: He may elect the actuarial equivalent of his straight life annuity in a reduced annuity payable throughout his life and, upon his death, one-half of his reduced annuity shall be continued throughout the life of, and paid to, such person as he shall have nominated by written designation duly executed and filed with the

Board of Trustees prior to the date the first payment of his annuity become due. Such person must be either his spouse for not less than one year immediately preceding such first payment due date, or another person, age forty (40) years or older, receiving more than one-half support from the retirant for not less than one year immediately preceding such first payment due date, provided that the age 40 requirement shall not exclude designation as beneficiary a dependent child who has been ruled physically or mentally incompetent by an Arkansas court of competent jurisdiction (or by the Board).

If a retirant who elected Option A or B and his beneficiary both die before he has received an annuity equal to the accumulated contributions standing to the retirant's credit in the Member's Deposit Account at the time of his retirement, the difference between his said accumulated contributions and the said total amount of annuities received by him shall be paid to such person or persons as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If no such designated person survives the retirant and his surviving beneficiary, such difference, if any, shall be paid to the estate of the survivor of the retirant and his beneficiary.

Option C: He may elect a reduced annuity payable throughout his life with the provision that if he dies before he has received 120 monthly annuity payments, the payments will be continued for the remainder of the period of 120 months and paid to each person or persons, in equal shares, as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If such designated beneficiary or beneficiaries predecease the retirant, the retirant may nominate a successor beneficiary or beneficiaries by written designation duly executed and filed with the Board. If no such designated beneficiary survives him, the retiree may elect Option 1 - Straight Life Annuity (Act 395/99).

Prior to the signing of the Final Retirement Contract, the retiree shall name a beneficiary or beneficiaries and may name a contingent beneficiary or beneficiaries.

The Attorney General has ruled that a beneficiary of a retiree may not name a beneficiary to succeed him should he not survive to draw the remaining 120 payments under Option C. In the case of a retiree reaching one hundred twenty (120) months under the Option C election, ATRS will ensure the pop-up to Option 1.

7. The death of a spouse or divorce or other marriage dissolution following retirement shall, at the written election of the retirant, cancel any optional plan elected at retirement to provide continuing lifetime benefits to such beneficiary and return the retirant to his single lifetime benefit equivalent, to be effective the month following receipt of his election by the system. A retirant who is receiving a single lifetime benefit and who marries after retirement may elect to cancel his single lifetime benefit and elect Option B providing continuing lifetime benefits to his spouse.

8. Effective February 7, 1991, the designated beneficiary of a retiree who chose Option 1 (straight life annuity) may elect to cancel the form of annuity in effect and elect Option A - 100% Survivor Annuity upon the death of a retirant on or after July 1, 1989, if the retirant died within one year following the effective date of retirement and the retirant was receiving a straight life annuity. Such election to change may be made only once and must be on a form approved by the system. The election form must be received by the system within thirty (30) days after the effective date of Act 51 of 1991, or within thirty (30) days of the death of the retiree, whichever is later. Such election change shall become effective the first day of the month following receipt of the election form by the system.
9. A retirant who retired on or after July 1, 1994, may elect to cancel his election made at retirement for receiving an annuity and elect another option, provided:
 - a) It is done within one (1) year from July 1, 1995, or within one (1) year of retirement;
 - b) It is filed with the system on a new election form approved by the system; and
 - c) The system is repaid the difference between the amount of the annuity received when the individual retired and the new annuity is due as a result of the election change, plus six percent (6%) interest from July 1, 1994 or the date of retirement, whichever is later, to the date of payment in full. The difference shall be calculated retroactive to July 1 1994, or the date of retirement, whichever is later, to the date of payment in full. The difference shall be calculated retroactive to July 1, 1994, or the date of retirement, whichever is later. The election change can only be made once and shall be effective retroactive to the effective date of the annuity.

After July 1, 1998, interest charged will be no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

10. Authorization of the use of postmark date as the official date of a transaction: The postmark date may be used as the official date of a transaction when the use of the mails is the usual and customary method of communication for handling such transactions.
11. The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement under the provisions of the law.
12. A retirant whose final average salary for annuity purposes was \$7800 may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary. Additional employer contributions for that period shall not be due from the retirant. However, if a retirant elects to make this change, he must pay the additional employee and employer contributions due on any service reported

between July 1, 1969, and June 30, 1986. When all contributions due have been paid, the monthly annuity for the retirant shall be recalculated, using the actual salary earned, and the increase in the annuity shall be effective the first of the month following the payment of all contributions due.

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EARLY INCENTIVE LAW (Act 808 of 1987)

DEFINITION

An employee of a state agency who, on April 8, 1987, was an active member of the Teacher Retirement System and qualified to retire before January 1, 1988, under the Early Retirement Incentive Law of 1987 (Act 187 of 1987), could elect to become a member of the Public Employees Retirement System and have his credited service in the Teacher Retirement System transferred to the Public Employees Retirement System.

POLICIES

1. The employee will make the election to transfer to the Public Employees' Retirement System on a form furnished by the system.
2. The transfer from the Teacher Retirement System to the Public Employees' Retirement System will become effective on the date of retirement.
3. The Teacher Retirement System will certify to the Public Employees Retirement System a record of the employee's service credit in the Teacher Retirement System.
4. At the time of retirement, if the employee is a non-contributory member of the Teacher Retirement System, he will retire under the non-contributory provisions of Act 187 of 1987 and shall be entitled to a refund of employee contributions made since January 1, 1978, to the Teacher Retirement System.
5. At the time of retirement, if the employee was a contributory member of the Teacher Retirement System, he will retire under the contributory provisions of Act 187 of 1987.
6. For any employee who elects to transfer to the Public Employees Retirement System, that system will pay the monthly benefits.
7. The Public Employees Retirement System will certify monthly to the Teacher Retirement System the amount of monthly benefits paid and the Teacher Retirement System will transfer that amount to the Public Employees Retirement System.
8. Upon receipt of a death certificate from the Public Employees Retirement System for a retirant who chose straight life annuity and has a balance remaining in his account, the Teacher Retirement System will transfer the remaining balance in the retirant's account to the Public Employees Retirement System for refunding to the designated beneficiary or beneficiaries.

DISABILITY RETIREMENT

DEFINITION

Upon the written application by a member, or upon written application by his employing authority on behalf of the member, filed with the Board of Trustees, a member in employer service who has five (5) or more years of credited service, and who has become or becomes totally and permanently physically or mentally incapacitated to perform the duties of his position covered by the Teacher Retirement System, as a result of a personal injury or disease, may be retired by the Board of Trustees; provided, that after a medical examination of said member made by or under the direction of the Medical Board, the Medical Board reports by majority opinion in writing to the Board of Trustees, which such member is:

- (1) Physically or mentally totally incapacitated for the further performance of duty,
- (2) That such incapacity will probably be permanent, and
- (3) That such member should be retired or
- (4) That such member should be retired under temporary disability retirement to be reconsidered at a specified time.

Such disability retirement shall be effective the first day of the month following the later of: his termination of active membership; or six months prior to the date written application is filed with the Board.

The annuity formula for computing disability retirement benefits is the same as for age and service retirement.

The Board of Trustees may require any disability retirant who has not attained age 60 to undergo a medial examination to be made by or under the direction of the Medical Board at least once each year during the first five (5) years following a member's retirement, and at least once in each three-year (3) period thereafter.

If a disability retirant becomes employed as a full time employee by an employer whose employees are covered by a State supported system or the University of Arkansas, his disability retirement shall terminate. His credited service and accumulated contributions at the time of his disability retirement shall be restored to his credit in the members deposit account, and he shall immediately again become a member of the System, if eligible. In no event shall a member be given service credit for the period in which he received a disability annuity. (Act 541 of 1977)

POLICIES

1. (Deferred provision under old law) - Disability protection continues for deferred members with 27 years of service if deferred status was effective before July 1, 1971.
2. (Deferred Provision) - Disability protection continues for deferred members, provided applicant's physician can present medical information to substantiate approval by the Medical Board that disability occurred while last employed in a position covered by the System.
3. (Active Membership) - The member must be an active member of this System when the disability occurs. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay, upon which the member is making contributions, also continues active membership.
4. (Death of an active member) - In the case of an active member who has made application for disability retirement and dies before he has signed his Final Retirement Contract, determination must be made by the System, on an individual basis, as to whether survivor benefits or disability benefits would be payable.
5. (Effective date of benefits) - In determining the date to be used for termination of active membership, as applied to the effective date of disability benefits, the last date of teaching is to be used. Paid sick leave, if any, would be included to extend the date of active membership and would be included to determine the days of service to be credited.
6. (Date of application) - The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement benefits under the provisions of the law.
7. (Refunded service) - An active member of the System who applies for disability retirement is eligible to repay any refunded service, provided that the member repays to the System the amount withdrawn, plus interest, from the date of withdrawal to the date of final payment. (See repayment of refund section).
8. (Back Contributions) - An active member of the System who applies for disability retirement is eligible to pay contributions, and employer costs, plus interest, on service rendered in a covered position after July 1, 1937, on which no applicable contributions and employer costs have been paid and on which no service has been credited, provided he completes all requirements. (See Back Contributions section)

9. (Military service) - An active member of the system who applies for disability retirement is eligible to file proof of military service provided he completes the requirements established for military service. (See Military Service section)
10. (Reciprocal service)
 - (a) If a member has five (5) or more years of creditable service in two or more reciprocal systems, he is eligible to apply for disability benefits from each reciprocal system.
 - (b) Eligibility for disability benefits is determined under the rules and regulations of each respective reciprocal system.
 - (c) He shall be eligible for a refund of his accumulated contributions plus interest, if any, from any reciprocal system in which he does not qualify for disability benefits. Such refund shall not alter his eligibility for benefits from any other reciprocal system.
 - (d) His annuity for disability retirement payable by the preceding system shall begin the first day of the calendar month next following the month he filed his application for same with the preceding system but not prior to the date he leaves the employ of his last State employer.
11. (Minimum Benefits)* - A disability retiree with ten (10) or more years of Arkansas service shall not receive less than \$1800.00 per year (contributory option) or \$1128.00 (non-contributory option). After July 1, 1997, a disability retiree with five (5) or more years of Arkansas service shall not receive less than \$1200 per year (contributory option) or \$768.00 per year (non-contributory option). (Amended by Act 1053 of 1997)
12. Disability retirees who are approved for only one year shall be reviewed one year from the effective date of benefits. Disability retirees who are disapproved for further disability annuities shall be removed from the payroll the earlier of: six months following the review date (one year from effective date of benefits) or the first of the month following return to full time employment.
13. If a member is approved for disability retirement but continues to work, he/she must terminate employment at the end of the school year. If service is not terminated at that time, a new application must be submitted and Medical Board approval must be given based on the new application.
14. If a disability retirant returns to full-time employment and receives credited service but dies before he completes 120 days of creditable service, a determination must be made as to whether survivor or disability benefits will be payable.

15. If a member applies for disability retirement and is disapproved, he/she has the right to appeal that decision. If a new application has been filed for the appeal and is approved, the effective date of benefits will be determined by the date of the filing of the original application.

DEFERRED RETIREMENT

DEFINITIONS (Amended by Act 281 of 1995; Act 1053 of 1997)

Effective July 1, 1998, an inactive member with 5 or more years of credited service may retire upon or after attaining age 60, provided he is not employed in a position covered by another retirement plan which is supported wholly or in part by state contributions.

An inactive member with 25 or more years of credited service may retire with a reduction in benefits. The reduction shall be as provided in A.C.A. 24-7-702 as amended.

Benefits are effective the first of the month following the date the member's application is received in the Teacher Retirement System office. "Deferred annuity age" is age 60 for all other members eligible for a deferred annuity.

The member shall receive, or shall have paid on his behalf, benefits in accordance with the benefit program in effect at the time of retirement.

POLICIES

1. A.C.A. 24-7-712 applies to anyone who has qualified for service retirement and who does not re-enter service again before he applies for benefits.
2. Deferred members acquire survivor, disability and early retirement privileges after rendering one year of service credit subsequent to re-entering the Teacher Retirement System.
3. A person who leaves a position covered by the Teacher Retirement System and is employed by a reciprocal system and files a reciprocal service agreement becomes a deferred (inactive) member and is entitled to the benefit formula in effect at the time of retirement, exclusive of any minimum amounts. Benefits shall be based on the highest final average salary furnished by the respective reciprocal systems involved.

EARLY RETIREMENT

DEFINITION (Amended by Act 281 of 1995)

Early retirement with a reduction in the benefit formula allows an active member who has at least 25 years of credited service but who has not attained age 60 to retire early on a reduced annuity.

Early retirement (deferred) allows an inactive member with 25 or more years of credited service to retire with a reduction. Effective date of benefits for inactive member is the first of the month following the date the member's application is received in the Teacher Retirement office.

SURVIVOR BENEFITS

DEFINITIONS

1. Lump-sum death benefits of the deceased member's contributions plus interest are payable if no survivor benefits are payable. If the spouse is qualified for survivor benefits, he may request the lump-sum payment rather than monthly benefits, provided no dependent children qualify for monthly benefits from the account. Survivor benefits are payable to certain dependents upon the death of an active member with five (5) or more years of credited service including credited service for the year immediately preceding his death.
2. A dependent child shall be defined as:
 - (A) A natural child of the member;
 - (B) A child that has been made a dependent of the member by adoption or other court action prior to the time of the death of the member; or,
 - (C) A child under the permanent care of the member prior to and at the time of death of the member, which permanent care status shall be determined by evidence satisfactory to the Board.
3. Fifty per cent (50%) dependency for survivor benefits for parent is defined: If the annual income of the parent (parents) was not greater than the amount contributed by the deceased member for his support, the parent is considered 50% dependent for financial support.

POLICIES

1. Survivor Benefit Payments: Separate payments shall be made to the spouse and to each child, rather than one lump-sum check payable to the spouse each month.
2. 50% Dependency: If the surviving parent did not have income exceeding the amount contributed to his support by the deceased member during the preceding calendar year, then for the purpose of the plan, he would be considered 50% dependent.
3. Specifics in the law dealing with the rights of the spouse are construed to take precedence over designated beneficiaries; provided that if at the time of the member's death there are no dependent children and the surviving spouse who would otherwise receive the annuity under this paragraph has filed with the system a signed waiver of his right to the annuity and that waiver was in effect at the time of the member's death, a lump sum distribution of the deceased member's accumulated contributions, plus interest, may be made to any beneficiary or beneficiaries so designated by the member before death.

4. If at the time of an active member's death, a surviving spouse is listed on the death certificate, the Arkansas Teacher Retirement System (ATRS)will search for the surviving spouse for up to one year. If after one year, ATRS has not located the surviving spouse, nor been contacted by the surviving spouse, ATRS will refund the member's account to the designated beneficiary(s) or use statutory succession to make the distribution (spouse, children, parents, estate).
5. Dependent child: Under part 2 (C) of the definition of a dependent child, the Board requires that the child must:
 - (A) Meet requirements and qualify for survivor benefits under social security;
 - (B) Have been claimed as a dependent by the deceased member on his federal income tax for the immediately preceding calendar year; and
 - (C) Have lived in the same household for at least two (2) years immediately preceding death of the member, unless the child is under two years of age.
 - (D) A child identified as a dependent will remain so until his death or his marriage or his attainment of age 18, whichever comes first; provided the age 18 maximum shall be extended as long as the child continues uninterruptedly being a full time student at an accredited secondary, or post secondary school (vocational technical school) or college or university, but not beyond his attainment of age 23; or as amended by Act 549 or 1975 [A.C.A. 24-7-710 (c)]. A full time student is defined as one carrying 12 semester hours (eight trimester hours) in college or four hours per day in a secondary or post secondary school.
6. If a surviving dependent child, who has obtained or passed age 18 (and drawing benefits) becomes temporarily physically or mentally incompetent, the Teacher Retirement Board can continue paying benefits upon receipt of a doctor's certification that the child is not competent to attend school for the period of one semester (term). At the beginning of the next semester or term, A.C.A. 24-7-710 (c) will be effective.
7. Certification of attendance in an accredited school may be made by the dependent child in the absence of a parent or legal guardian (after the dependent child reaches age 18).
8. Survivor benefits in case of death of disability applicant: In the case of an active member who has applied for disability retirement and dies before he signs his Final Retirement Contract, determination must be made on an individual basis as to whether survivor benefits will be payable or whether the case will be processed for disability retirement.
9. Covered Salary: For the purposes of determining survivor benefits, covered salary shall be that salary on which the member would have made contributions had he lived

through the end of the fiscal year as evidenced by the contract salary or \$7,800 maximum; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds that include contributory service, he must pay the additional contributions due to change to full salary.

For a deceased member whose salary for reporting purposes is \$7800, and who did not receive a refund, his beneficiary may elect to change the member's status effective July 1, 1986, to the non-contributory plan and his account shall be considered on full salary for reporting purposes. Additional employer contributions for that period shall not be due. However, if the beneficiary elects to make the change in the member's account, additional employee and employer contributions must be paid on any service reported between July 1, 1969, and June 30, 1986.

10. Payments of salary that are made after the death of a member, but have been earned prior to death are subject to Teacher Retirement deductions and reported in total salary and days of service on the D-2a. Payments made by an employer subsequent to the death of an active member that had not been earned but are made as a gratuity shall not be included as salary and are not subject to deductions.
11. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certifies continuing employment, and leave of absence with pay upon which the member is making contributions also continues active membership.
12. If death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive more as a percent of the deceased member's final pay or as a minimum dollar amount than the largest amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with any other reciprocal system that has a minimum benefit provision in its plan. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratios of such service in such system to the total service in all reciprocal systems.
13. When the member elects to transfer from the Teacher Retirement System to the Public Employees Retirement System under the provisions of Act 793 of 1977 the Public Employees Retirement System becomes the system responsible for determining, upon the death of a member, a survivor's eligibility for a refund of the member's account, or monthly survivor benefits.

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DEATH BENEFIT
(Act 1022/97; Act 312/99)

Effective July 1, 1997, Act 1022 of 1997, provides a lump sum death benefit for active and retired members with five (5) or more years of credited service payable in the order of statutory succession.

DEFINITIONS

1. "Statutory succession" means the order in which benefits are paid: spouse, children, parents, and estate.
2. "Active member" means any person rendering service covered by the System.
3. "Retired member" means any person who receives an annuity paid by the System for service rendered in the System. This excludes beneficiaries who receive a survivor benefit check from a deceased member's account.
4. "Proof of death" is a death certificate or a Proof of Death form completed by the funeral home.

POLICIES

1. If an active member of the Arkansas Teacher Retirement System with five (5) or more years of credited contributory service, including service for the year immediately preceding his death, dies while in employer service before retirement, then a lump sum of ten thousand dollars (\$10,000) shall be paid to any designated person(s) or entity(s), or in the order of statutory succession. If the member had only non-contributory service, then the lump sum payable shall be six thousand six hundred and sixty-seven dollars (\$6,667). If upon his death, the member had a combination of credited service, both contributory and non-contributory, the lump sum will be prorated according to the ratio of the member's contributory and non-contributory service. In addition, each surviving dependent child will receive a lump sum benefit of ten thousand dollars (\$10,000) upon the death of the active member.
2. Upon the death of a retirant whose annuity is paid by the Arkansas Teacher Retirement System, a lump sum of ten thousand dollars (\$10,000) shall be paid to any person(s), or entity(s), or in the order of statutory succession. If the retirant had only non-contributory service, then the lump sum payable shall be six thousand six hundred and sixty-seven dollars (\$6,667). If upon his death, the retirant had a combination of credited service, both contributory and non-contributory, the lump sum will be prorated according to the ratio of the retirant's contributory and non-contributory service. In addition, each surviving dependent child will receive a lump sum benefit of ten thousand dollars (\$10,000) upon the death of the retiree.

3. The Board of Trustees is authorized to set the level of the lump sum benefit to the current members and retirants where the ratio between the contributory and non-contributory benefits are maintained at a three-to-two (3:2) ratio and to a level to match the benefits that the Board finds are appropriate for the System.
4. The lump sum payments shall be directly payable from the System upon receipt and acceptance of the lump sum death benefit form.
5. The Arkansas Teacher Retirement System shall honor any and all federal and state income tax laws regarding the payment of lump sum death benefits.

REPORTING EMPLOYEE CONTRIBUTIONS

DEFINITIONS (Amended by Act 638 OF 1995; Act 11/99)

1. "Salary" means any remuneration paid an employee in a position covered by the system and on which the employer withholds federal income tax. In addition, salary will also include employer pick-up contributions, employee contributions to tax-sheltered annuities and cafeteria plans. Effective July 1, 1999 and later, payments of unused sick leave, stipends, etc., will count as salary. However, when a member retires, the current year's salary used in the computation of retirement benefits shall not exceed one hundred ten percent (110%) of the previous year's salary.
2. "Covered salary," means the portion, or all, of an employee's salary that is covered by the system. For each member who first became a member before July 1, 1971, his covered salary for each year after June 30, 1969 is the first \$7,800 of his total annual salary for all covered employment unless he has elected to make contributions to the system on his full salary. For each member who first became a member after June 30, 1971, or has elected to make contributions on full salary, his covered salary is his full salary for all covered employment; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds that include contributory service, he must pay the additional contributions due to change to full salary.

A member whose salary for reporting purposes is \$7800, and who has not received a refund, may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary for reporting purposes. Additional employer contributions for that period shall not be due from the member. However, if a member elects to make this change, he must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986.

3. "Covered Employer" means each employer for whom a member renders service in a covered position.

POLICIES (Amended by Act 638 of 1995; Act 206 of 1997; Act 11/99)

1. In determining "salary," employer pick-up contributions, cafeteria plans as defined in 21-5-901, and employee contributions to tax-sheltered annuities shall be included, provided, however, a member may establish salary earned under a purchase service contract with a covered employer by paying employee and employer contributions plus interest, or money which in lieu of remuneration.
2. After June 30, 1997, each employer will pay the member contributions for each salary earned by contributory members and those contributions will then be treated as

employer contributions in determining tax treatment under the provisions of the federal Internal Revenue Code and the Arkansas Income Tax Act. The contributions will not be included as gross income of the member until they are distributed or made available to the member. The employer will pay these member contributions from the same source of funds used in paying the salary to the member. The employer may pay these contributions by a reduction in the cash salary of the member, or by a setoff against future salary increases, or by a combination of a reduction in salary and a setoff against future salary increases. If member contributions are paid by the employer as provided under this subsection, they shall be treated for all purposes of the Teacher Retirement System in the same manner and to the same extent possible as member contributions made prior to the date the employer began payment of the member's contributions as described.

3. Each employer shall deduct the member contributions from the salary of each contributory member on each and every payroll for each and every payroll period, from the date of his entrance into the system until he retires, and the employer shall remit the contributions to the system provided, however, compensation in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code shall be disregarded. The limitation on compensation for 'eligible employees' shall not be less than the amount that was allowed to be taken into account under the system as in effect on July 1, 1993. For this purpose, an 'eligible employee' is an individual who was a member of the system before the first plan year beginning after December 31, 1995.
4. An employee who is receiving remuneration under both a regular contract and a purchased contract or under both a regular contract and a contract won through litigation shall have only the greater of the two amounts considered as "salary" for system purposes.
5. Should an employee make a charitable donation or return any part of his salary to his employer, the amount of his recurring remuneration otherwise useable as "salary" shall be reduced by such amount or amounts to arrive at his "salary" for system purposes.
6. The system will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in policies 1-3. In case of doubt, the facts will be determined and the board will decide whether or not payments reported as salary can be accepted as salary for retirement purposes. Contributions based on payments that are not salary for retirement purposes will be refunded as promptly as possible.
7. If a member is making contributions to the system on a covered salary of \$7,800 rather than his full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800 (\$468). Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.

8. A member who left covered employment before July 1, 1985, and who had annual compensation of \$7800 or less, shall upon return to covered employment, have full salary considered for retirement purposes.
9. In order that each member of the Teacher Retirement system may receive credit for his days of service, his covered salary and his contributions on a timely basis, each employer shall report employee and employer contributions to the System on the following schedule:

D-1 (Employees Monthly Remittance Report)

Date Due: For public schools, 15th day of the following month; for colleges and state agencies, 15 days after end of each pay period.

D-2a (Quarterly Report)

Date Due: 15 days of the following month after each calendar quarter.

10. Each of the above reports must be on forms or magnetic media that are either furnished by the Teacher Retirement System or approved by the System.
11. The employer's cost for the local school district with Federal Programs, institutions of higher learning, and other State agencies, and non-profit corporations approved by the ATRS Board of Trustees to participate in Teacher Retirement, shall be the State's contribution rate to be applied to the assessable salary for the current fiscal year.
12. Four (4) hours shall be required as the minimum for a "day of service" for all employees. For part-time employees who do not work full days, total the number of hours or periods worked in a school year and divide by four (4) to determine the number of days to be credited as a year of service or as a fraction of a year.
13. Overpayments or underpayments of contributions reported from the local level shall be handled in the following manner by the ATRS office:
 - (a) If an underpayment of less than \$25.00 were reported from the local level, no attempt will be made to collect the difference of this underpayment.
 - (b) Should an overpayment of contributions of less than \$5.00 is reported from the local level, no refund of this amount will be made to the member, except upon written request from the member. The total amount reported by the employing authority shall be credited to contributions.
 - (c) Should an underpayment of contributions occur as a result of a member's changing status from non-contributory to contributory, the member must remit to the System the contributions due based on his gross salary earned retroactive to

July 1 of the current fiscal year. In no case will a member be given credit for service rendered until the contributions due are paid in full.

(d) Should an overpayment of contributions occur as a result of a member's changing status from contributory to non-contributory, the System will refund such contributions to the employee if posted to the member's account. If such contributions have not been posted, the System will refund the overpayment of member contributions to the employer.

14. Beginning July 1, 1998, should an employer fail at any time to report the salary of a member and remit the contributions to the system, the system shall have the right to collect from the employee and the employer the contributions due, if any, from each, together with interest beginning with the subsequent fiscal year; provided further, in no case shall a member be given credit for service rendered until any contributions and interest due from each are paid in full.
15. For persons who are retiring and who are employed in agencies or other institutions that use the state 26-week payroll, employers should report to Teacher Retirement the salary, contributions, and actual days worked through the current year payroll period. Contributions should not be withheld on any salary earned after the close of the current year's payroll, nor should any salary or days of service be reported for that period of time. (Board approved 8/11/98)

REPORTING EMPLOYER CONTRIBUTIONS
(Act 1194 of 1995; Act 142 of 1997; Act 865/99)

Section 13 of Act 1194 of 1995 requires participating employers to pay the Teacher Retirement employer contribution rate for any eligible employees beginning with the 1996-97 school year. An amount funded in previous years in the public school fund has been included in the State Equalization Funding (formerly, Minimum Foundation Aid Program) and will be distributed to the local school districts.

DEFINITIONS

1. "Covered salary," means non-federal salaries for the previous fiscal year, minus non-federal salaries for members with less than thirty (30) days in the previous fiscal year, plus supplemental salary payments received the previous fiscal year, plus adjustments agreed upon by both the employer and the Teacher Retirement System.
2. "Participating employers" means: local school districts, educational cooperatives, vocational centers, the Department of Correction, state agencies covered by ATRS, all public post-secondary institutions, or any non-profit corporation approved by the Board of Trustees in accordance with rules and regulations established by the board.
3. Adjustments include, but are not limited to, error corrections, payments for members who were omitted from the correct reporting period, and any adjustments agreed to by both the employer and the Teacher Retirement System.

POLICIES

1. The employer contribution rate shall be the rate established by the Arkansas General Assembly.
2. Remittance forms will be furnished by the Teacher Retirement office.
3. Any remaining book balance on each June 30, no greater nor less than \$25 will be absorbed as uncollectible accounts receivable or other income.
4. A six percent (6%) penalty of the amount due will be assessed for each late payment of employer and employee contributions. After July 1, 1998, a penalty not to exceed the System's current actuarial interest rate assumption (presently 8%) will be assessed on the amount due for each late payment of employer and employee contributions.

For Local School Districts:

1. The local school districts' obligation in a fiscal year shall be the previous year's non-federal salaries times the employer contribution rate.

2. The Teacher Retirement System shall certify to local school districts no earlier than October 1 the amount of employer contributions due. The amount will be based on the previous year's covered salaries.
3. The amount will be paid in nine (9) equal payments. The first payment will be due five (5) days after the Teacher Retirement notification letter is postmarked, and will be considered late within 10 days of the due date. For subsequent months, the payment will be due on the first of each month and will be considered late after the 10th of the month.
4. On the 14th of each month in which a payment is due, the Teacher Retirement System will certify to the Department of Education the names of employers who have failed to remit their monthly payment. The amount of the payment plus the six percent (6%) penalty will be withheld from the employer's State Equalization Funding payment for that month.
5. Supplemental salary payments received from local school districts after July 1, 1996, for fiscal years 1995-96 and later, will be accompanied by the employer contributions due.

For Educational Cooperatives and Vocational Centers:

1. The Teacher Retirement System shall certify to the Department of Education no later than October 1 the amount of employer contributions due. The amount will be based on the previous year's covered salaries.
2. The amount will be paid in nine (9) equal payments. The first payment will be due five (5) days after the Teacher Retirement notification letter is postmarked, and will be considered late within 10 days of the due date. For subsequent months, the payment will be due on the first of each month and will be considered late after the 10th of the month.

For All Other State Agencies, Colleges, and Vocational-Technical Schools, and Non-Profit Corporations approved by the Board of Trustees (Pay-As-You-Go):

All other state agencies, colleges and vocational-technical schools and any non-profit corporations approved by the Board of Trustees to participate in Teacher Retirement, will remit each month the employer contributions due on current year covered salaries.

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REFUNDS

DEFINITIONS

1. "Accumulated Contributions" means the total of all amounts contributed by a member and standing to his credit in his individual account in the member's deposit account, together with regular interest credited thereon.
2. "Regular Interest" means such rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions.

POLICIES

1. Should an overpayment of contributions of less than \$5.00 be reported from the local level, no refund of this amount will be made to the member, except upon the written request from the member. The total amount reported by the employing authority shall be credited to contributions.
2. On refunded contributions, the rate for all interest credited before June 30, 1984 is three percent, compounded annually, after the first year of contributions. The rate of interest credited on and after June 30, 1984 is six percent, compounded annually, after the first year of contributions. Interest shall be computed on each member's individual account as of June 30 each year by multiplying the balance in the member's individual account as of July 1 (including all contributions and interest credit from previous years) plus one-half his contributions for the year ending on June 30 by three percent.
3. Interest is not paid on contributions made in the year in which a refund is paid.
4. On and after June 30, 1984, the Board of Trustees shall annually set the rate of interest during the first regular meeting of the Board, based on the reports of the actuary and the investment counsel.
5. Any members receiving a refund, who have previously received a refund and repaid the contributions shall be refunded the 6% purchased interest paid on such refund. This same policy shall be applicable to interest paid on purchase of in-state service, out-of-state service, and military service.
6. Effective May 19, 1992, refunds of contributions will be made within six (6) months from the date of receipt of the written application in the Teacher Retirement System office.
7. Certification of the amount of contributions to be refunded may be made to a lending agency (bank, etc.) upon written request by the members. Refunds must be made to

the member as payee, but may be sent to the lending agency if authorized by the member.

8. Employers are responsible for the accuracy of information on salaries and contributions that they certify to the system on refund applications. If information certified by an employer causes the system to overpay a refund, and if the system is unable to secure reimbursement of the overpayment from the member receiving the refund, the employer shall reimburse the system the amount of such overpayment.
9. A refund of contributions forfeits credited military service. Repayment of the refund plus interest reestablishes the forfeited military service. If military service was not credited a member prior to the refund of his contributions, repayment of the refund is not necessary to establish military service credit, provided the member meets the requirements listed above.
10. Beginning January 1, 1993, should a member, or spouse, if the member is deceased, become eligible to receive a refund of contributions and elect to make a direct rollover of a distribution to an eligible retirement plan of all or part of his eligible rollover distribution, the amount shall be paid to the trustee of the eligible retirement plan.

FREE MILITARY SERVICE

A member of the Arkansas Teacher Retirement System who entered the Armed Forces of the United States between July 1, 1937 and June 30, 1973, may establish that active duty service in this system without cost, provided the following conditions are met:

1. Service must be the initial enlistment. Re-enlistment or voluntary extension of the initial enlistment is not considered compulsory and shall not be allowed as service credit.
2. Military service shall not exceed five (5) years, and the years to be credited shall be those closest to the teaching service.
3. Crediting of military service will require the completion of Form M-1, provided by the System, and official military documents listing the entry and discharge dates of the first enlistment or induction.
4. Must have received an honorable discharge; and
5. The period of military service credit shall be based on 120 days of service rendered during a fiscal year, July 1 through June 30. For military service, the actual number of days in the month shall be counted. Fractional years of service cannot be credited prior to July 1, 1971. Days on both ends of the military time-period may be combined to provide a year of service credited prior to July 1, 1971, provided:
 - a) The minimum number of days to be combined is 120;
 - b) The maximum number of fiscal years to be counted is two (2);
 - c) Combined military service may not be credited during fiscal years in which the member received credit for a year of teaching service.
6. All military service credited prior to July 1, 1986 is contributory service.
7. Military service may be established at any time after entrance into the system but official crediting shall be effective upon completion of five (5) years of credited service in the Arkansas Teacher Retirement System, excluding military service credit.
8. The member must not be receiving, nor will be eligible to receive, federal military retirement pay (other than disability). Recertification of military service credit will be required for all service credited after 1969 at retirement.
9. The policies covering free military service credited to a member of the Teacher Retirement System apply to free military service credit under reciprocity, provided

the member has five (5) years of service credit in the Arkansas Teacher Retirement System, excluding military service.

10. Under Act 793 of 1977, free military service may be established if membership is transferred after completing five (5) years of credited service in the Arkansas Teacher Retirement System.

PURCHASED MILITARY SERVICE

(Amended by Acts 142, 206 and 1053 of 1997; Act 866/99)

Any person who is a member or former member of a state-supported retirement system may purchase up to five (5) years of credited active duty military service, including active duty service in the National Guard or Reserve.

1. A person may purchase one (1) year at a time if he so chooses. The year or years to be purchased shall be closest to teaching service.
2. Eligibility to purchase military service credit shall be subject to the following conditions:
 - a) Any person who is now, or was in the past, a member of a reciprocal system and has five (5) years of combined credited membership service;
 - b) A member of the Teacher Retirement System with five (5) years of credited membership service;
 - c) Must have received an honorable discharge;
 - d) Total military service credit cannot exceed five (5) years;
 - e) The member is not receiving, nor is eligible to receive federal military service retirement pay (other than disability) based upon 19 or more years of active duty; and
3. Crediting of military service will require the completion of Form M-2, provided by the System, and official military documents listing the entry and discharge dates of the first enlistment or induction.
4. Effective August 13, 1993, the computation for the purchase of military service shall be:
 - a) For the first three (3) years of credited service, the member contributes to the member's deposit account a sum of money equal to the amount he would have contributed to the account had he been a member during this term of military service. This amount shall be based upon his monthly contributions at the time he first became a member of the retirement system and interest thereon at the rate of six percent (6%), together with an amount equal to the employer matching contribution and interest thereon at the rate of six percent (6%), which interest shall commence January 1, 1976, or six (6) months after eligibility, whichever is later.
 - b) For the fourth and fifth year of credited service, the member contributes to the member's deposit account a sum of money equal to the amount he would have contributed to the account had he been a member during his term of military service. This amount shall be based upon:

- 1) His salary at the time he first became a member of the retirement system;
 - 2) The employer's contribution rate in effect at the time the member first became eligible to purchase the military service; and
 - 3) Interest on both the employee's and employer's contributions at the rate of six percent (6%), which interest shall commence January 1, 1976, or six (6) months after eligibility, whichever is later.
5. Effective July 1, 1988, all purchases and payments paid with after-tax dollars shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required. Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than 5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

6. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
7. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has

agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

REPAYMENT OF REFUNDS

DEFINITIONS (Amended by Act 142 of 1997)

1. "Repayment of refund" means repayment to the system of contributions that have been withdrawn. Withdrawal of contributions forfeits credited service. Service credit can be restored by repayment of a refund.
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 8%).
3. "Interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES (Amended by Act 524 of 1995; Acts 142 and 206 of 1997; Act 866/99)

1. To be eligible to repay a refund, a person must be an active member of the system. A person who has received a refund may re-establish active membership by completing thirty (30) days or more during his last such reemployment.
2. To repay a refund requires repayment of the entire amount withdrawn, plus interest from the date of withdrawal to the date of final payment. If a member has received more than one refund, repayment must be made in inverse order.
3. Effective July 1, 1998, to repay a refund requires repayment of the entire amount withdrawn, plus 8% interest from the date of withdrawal to the date of final payment. If a member has received more than one refund, repayment must be made in inverse order.
4. Effective January 1, 1988, all purchases and payment shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule

of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

5. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
6. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has contracted. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

BACK CONTRIBUTIONS

DEFINITIONS (Amended by Act 142 of 1997; Act 866/99)

1. "Back Contributions" means contributions payable by an active member for service rendered in a covered position after July 1, 1937 on which no applicable contributions have been paid and on which no service has been credited.
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 6%).
3. "Interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES (Amended by Act 206 of 1997; Act 866/99)

1. Back Contributions - After July 1, 1971, the number of days required to establish a year of service since 1937 is 120 days. Fractional credit may also be established only for service rendered after July 1, 1971.
2. Credit for back service established before July 1, 1984, may be purchased by the member paying to the system the employee contributions, plus interest, from the time the service was rendered until contributions are paid in full.
3. Effective July 1, 1984, back service credit may be established only by paying both the employee and employer contributions, plus interest, from the time the service was rendered until contributions are paid in full.
4. Policies 2 and 3 shall be applicable to:
 - a) Service credit being established by a person who has elected to exclude himself from membership under A.C.A. 24-7-501(b)(1).
 - b) Any other eligible service for which no service credit has been established.
 - c) A member who is making contributions on the first \$7,800 of his salary may elect to change to full salary under the following conditions: If such election is made between July 1, 1973 and June 30, 1984, the member must pay to the system the difference plus interest between full salary contributions and contributions based on \$7,800 retroactive to July 1, 1969 or the actual date of employment, whichever is later. If such election is made July 1, 1984 or later, the member must pay to the system both the added member contributions and the added employer contributions which would have been paid to the system had the

member's full salary always been covered, plus interest from the dates the added contributions would normally have been received by the system to the date of such actual payment; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds which include contributory service, he must pay the additional contributions due to change to full salary.

A member whose salary for reporting purposes is \$7800, and who has not received a refund, may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary for reporting purposes. Additional employer contributions for that period shall not be due from the member. However, if a member elects to make this change, he must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986.

5. Effective July 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required. Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

6. No back contributions will be billed on service before July 1, 1971 unless payment of such contributions will add to a member's service credit.
7. For service established June 1, 1989, or after, no back contributions will be billed on service unless payment of such contributions will add to a member's service credit.

8. If a member does not purchase at one time all of his back service credit, he must purchase the remainder in inverse order.
9. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
10. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.
11. Beginning July 1, 1999, an active member who has previously elected the non-contributory plan may change his/her non-contributory credited service to contributory credited service by paying the additional contributions due, plus interest, from the dates the contributions would have been received by the system to the date of payment in full.

PURCHASE OF OUT-OF-STATE SERVICE

DEFINITIONS (Amended by Act 142 of 1997)

1. "Out-of-state service" means service rendered in any state except Arkansas in a position which would have been covered by the System had the service been rendered in the State of Arkansas.
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 6%).
3. "Interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES (Amended by Act 524 of 1995; Act 206 of 1997/ Act 110/99 and 866/99)

1. Before July 3, 1989, in order to purchase out-of-state service, such service rendered in any state except Arkansas must have been for a minimum of 120 working days in a fiscal year. The cost to purchase out-of-state service is 18% (6% employee and 12% employer) of the greater of: the first full year's annual salary the member received for Arkansas service immediately preceding the purchase, or the average of the member's three highest salaries.
2. Except for out-of-state service purchased on or after July 3, 1989, in-state and out-of-state service rendered in the same fiscal year may be combined to reach the required 120 days, provided the member had at least 30 days of both in-state and out-of-state service credit. Twenty (20) days shall be considered a month.
3. Salaries for purchased out-of-state service are not recorded. In computing final average salary, only Arkansas salaries shall be used in the determination of the three (3) highest years.
4. Purchased out-of-state service shall be credited to the year in which it was rendered and cannot be purchased if prior to 1937-38.
5. Effective July 1, 1986, all purchased out-of-state service shall be counted as contributory service.
6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

7. Certification of out-of-state service, or out-of-state private school service must be submitted to ATRS on a form provided by the system.
8. Beginning July 1, 1991, an active member may purchase service rendered outside the state during a period of employment with an education coordinating council.
9. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.
10. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
11. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The

member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

PURCHASE OF OVERSEAS SERVICE

DEFINITIONS (Amended by Act 142 of 1997; Act 866/99)

1. "Overseas service" means service rendered in an American-type overseas school sponsored and approved by either the United States Department of State or the Department of Defense, Peace Corps or Volunteers in Service to America (VISTA).
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 6%).
3. "Interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES (Amended by Act 206 of 1997; Act 866/99)

1. In order to purchase overseas service, employer and employee contributions must be paid on the later of, the member's salary in the overseas school, or the annual salary receive by him for the first full year of state teaching service preceding the fiscal year in which the service is purchased. The member shall pay the employee contributions and the employer contributions may be paid either by the employer or by the member. For each year of the member's service overseas, employee and employer contributions shall be based upon the employer and employee rate in effect for that year, provided employer and employee contributions are paid in the year in which the service is rendered. If the employer and employee contributions are not paid when the service is rendered, the employer and employee contributions shall be based on the rate in effect in the year preceding the fiscal year in which the service is purchased. If contributions were not paid to the system promptly, as service was rendered, interest shall be added from the date of purchase to the date of payment in full.
2. A year of overseas service shall be for a minimum of 120 days. Twenty (20) days shall be considered a month. The maximum overseas service, which may be credited to a member, is ten years.
3. Salaries for purchased overseas service will be recorded for the years being purchased. In computing final average salary, only Arkansas salaries shall be used in the determination of the three (3) highest years.
4. Purchased overseas service shall be credited to the year in which it was rendered.
5. Effective July 1, 1986, all purchased overseas service shall be counted as contributory service and benefits based on this service shall be computed as contributory service.

6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

7. If a member does not purchase, or is not eligible to purchase, all of his overseas service, he must purchase the remainder in inverse order.
8. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
9. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

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SABBATICAL LEAVE

DEFINITIONS (Amended by Act 142 of 1997; Act 866/99)

1. "Sabbatical leave" means leave of absence from a school from and after June 28, 1985, in order to obtain an advanced degree at an institution of higher learning, or to fulfill the requirements of a scholarship or grant.
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 6%).
3. "Interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES (Amended by Act 542 of 1995; Act 206 of 1997; Act 866/99)

1. The cost to purchase sabbatical leave is 18% (6% employee and 12% employer) of the greater of: the first full year's annual salary the member received for Arkansas service immediately preceding the purchase, or the average of the member's three highest salaries.
2. A year of sabbatical leave service shall be for a minimum of 120 days. Twenty (20) days shall be considered a month.
3. Purchased sabbatical leave service shall be credited to the year in which it was rendered.
4. If a member does not purchase, or is not eligible to purchase, all of his sabbatical leave service, he must purchase the remainder in inverse order.
5. Salaries for purchased sabbatical leave are not recorded.
6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

7. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.
8. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

PURCHASE OF PRIVATE SCHOOL SERVICE

DEFINITIONS (Amended by Act 142 of 1997)

1. "Private school service" means service rendered in any private school or agency which is recognized by the State Department of Education for the issuance of teaching certificates.
2. "Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS uses to compute interest on a member's contributions (currently 6%).
3. "Interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).

POLICIES (Amended by Acts 513 and 524 of 1995; Act 206 of 1997)

1. From and after January 1, 1990, an active member may contract with the Board for private school service to be credited as service hereunder in accordance with the following conditions:
 - a) Service credit shall be limited to service for which no benefit could be paid by another system similar in purpose to this system, except social security, if the member left on deposit his contributions to that system.
 - b) Service credit shall be limited to ten (10) years.
2. The cost to purchase sabbatical leave is 18% (6% employee and 12% employer) of the greater of: the first full year's annual salary the member received for Arkansas service immediately preceding the purchase, or the average of the member's three highest salaries.
3. The private school service shall not become credited service under this system until :
 - a) The member payments have been paid in full; and
 - b) The member has established five (5) or more years of credited service exclusive of private school service. Should a member cease to be an active member before the private school service has been established as system credited service, the member payments contributed shall be refundable, together with interest thereon.

4. A member may purchase fractional years of out-of-state and/or private school service provide the member has, or is eligible to purchase, the difference in Arkansas service to equal one hundred twenty (120) days for the fiscal year.
 - a) Certification Arkansas private school service, or out-of-state private school service, must be submitted to ATRS on a form provided by the system.
5. A year of private school service shall be for a minimum of one hundred twenty (120) days, except as outlined in #4 above. Twenty (20) days shall be considered a month.
6. All private school service shall be counted as contributory service.
7. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full. A contract to complete payment shall exist upon acceptance of the initial payment.

An agreement to complete payment shall exist upon acceptance of the initial payment.

8. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.

9. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.

**RETIRANTS RETURN TO SERVICE
RESCISSION OF RETIREMENT (Act 39 of 1989)**
(Amended by Act 1293/95; Act 384/99; Act 30/99)

DEFINITION

A retirant under Arkansas Code 24-7-201 through Arkansas Code 24-7-713, and any amendments thereto, may rescind his decision to terminate active membership and may become an active member upon reemployment.

POLICIES

1. A retirant rescinding his decision to terminate active membership shall file a written rescission on a form furnished by the Board.
2. a) For any school year in which a retirant takes a position in a public school, the rescission form shall be filed with the Teacher Retirement System office on or before June 30 of the previous year.

b) Should a retirant fail to meet the deadline set out in 2(a), the school district may file an appeal for a waiver of the required filing date.
3. The rescission shall become effective the first day of the calendar month next following the date the written rescission is received by the Board.
4. Any annuity benefit formerly due from the System shall be terminated upon the effective date of the rescission.
5. Upon rescission, the former retirant shall be considered an active member who shall accrue additional credited service subject to the following conditions:
 - a) If reemployment terminates before the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, the former retirant shall become a retired member and the payment of annuity shall resume upon such termination. The former retirant shall be entitled to receive any member contributions, which may have been made during the reemployment period.
 - b) If reemployment terminates after the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, upon termination of reemployment, the former retirant shall become a retired member and receive an annuity, which has been recalculated according to the benefit formula in effect at the time of such termination of reemployment.

6. Effective July 1, 1993, if a retirant has previously rescinded his decision to terminate active membership and become an active member by reemployment, but after becoming a retirant and before rescinding had been employed in a position covered by the System, as an active member he shall be eligible to purchase such previous service by:
 - a) Fulfilling the requirements set out in Sec. 24-7-717(e)(2);
 - b) Returning to the System all retirement benefits received during such employment, together with regular interest from the date of receipt of such payments to the date of repayment in full; and
 - c) Paying to the System both member and employer contributions for the previous service rendered after becoming a retirant but before rescinding, plus interest from the date of reemployment to the date of payment in full.
7. Upon rescission, a former retirant shall be eligible to participate in the T-DROP subject to the following conditions:
 - a) The employee shall file a Retirement Rescission form;
 - b) The employee shall file a T-DROP application; and
 - c) The effective date will be the first day of the calendar month next following the completion of at least thirty (30) working days.
8. A T-DROP retirant who wishes to rescind must file a Retirement Rescission form and receive a lump sum distribution of the remainder of the T-DROP account. Then, following receipt of the T-DROP Application form and the completion of at least thirty (30) working days, participation in the T-DROP will begin.

**CONDITIONS UNDER WHICH A RETIRANT MAY RETURN TO COVERED
SERVICE OTHER THAN BY RESCINDING HIS RETIREMENT
ACT 39 OF 1989
(Amended by Act 1293 of 1995; Act 384 of 1997)**

AGE AND SERVICE RETIRANT:

1. If a retirant returns to service without rescinding his retirement under Act 39 of 1989, benefits may continue to be paid up to certain limits. The amount a retirant may earn and still collect full benefits depends upon whether he is age 65 to 69 or under age 65.
 - a) Effective July 1, 1992, a retirant that is age 65 to 69 may earn up to twice the Social Security amount without affecting his ATRS benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$3 earned above the earnings limitation amount.
 - b) Effective July 1, 1992, a retirant that is under age 65 may earn up to twice the Social Security earnings limitation amount without affecting his ATRS benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$2 earned above the earnings limitation amount.
 - c) Employers will report quarterly all retirants who have returned to full- or part-time employment in an ATRS covered position, and who have not rescinded their retirement. The reporting form will be furnished by ATRS.
 - d) Unless the system is directed otherwise in writing, the benefits of those retirants exceeding the earnings limitations will be reduced in the proper amount in the fiscal year following the fiscal year in which the earnings limitation is exceeded. A retirant may direct ATRS to reduce benefits within the same fiscal year the earnings limitation is expected to be exceeded.
2. In the event that both the employee and his employer fail to notify the Teacher Retirement System of a retiree's return to service and benefits are paid illegally due to such lack of notice, the Teacher Retirement System shall delay restoration of benefits until all funds paid illegally have been recovered either through direct payment by the retiree or through delay in restoration of benefits by the System.
3. Effective July 1, 1991, an age and service retiree may be employed by a private employer or in a position covered by a state-supported retirement system other than the Teacher Retirement System without any effect on his annuity.
4. During any period of employment not covered by Act 39 of 1989, an age and service retiree shall not accrue additional service credit, nor shall he contribute to the Arkansas Teacher Retirement System.

5. If a retirant is employed in a covered position by a state college, university, or vocational-technical school, his annuity shall not be subject to the limitations provided in Item 1a) and 1b).
6. Effective July 1, 1997, Act 384 of 1997 repealed Act 1293 of 1995, making subject the ATRS earnings limitation the annuity of a retirant who is employed in a covered position by a state college, university or vocational-technical school, as provided in Items 1a) and 1b).

DISABILITY RETIRANT:

Under the provisions of the Teacher Retirement law a disability retiree is permitted, should he regain his health and should he be employed under contract in a position covered by the Arkansas Teacher Retirement System to establish a year or more of service credit and have his benefits recomputed at a time of retirement either or age and service or disability as the case might be.

1. Disability Retiree Employed Full-Time

When a disability retiree is employed under contract in a position covered by the Teacher Retirement System as a full-time employee in a regular or special position on a fiscal year basis, the Teacher Retirement System is required to remove him from the disability payroll. It is the responsibility of the employing agency to report such employment to the retirement office immediately. Unless the retiree was a member of the non-contributory plan, it is also the responsibility of the employing agency to withhold 6% of applicable salary. If the retiree completes a minimum of 120 days or more during a fiscal year in Arkansas, thus adding a year's service credit, he can then again make application for disability or age and service retirement and his benefits will be recomputed based on the additional year or years of service credit. Full-time employment is defined as a member working at least 480 hours in a fiscal year. A disability retiree shall not be permitted to establish service credit when employed in a part-time position.

2. Disability Retiree Employed Part-Time

A disability retiree employed part-time will be subject to the same earnings limitation policy as age and service retirees. Part-time employment is defined as a member working less than 480 hours in a fiscal year.

WAIVER OF EARNINGS LIMITATION

In accordance with Act 30 of 1999, under rules and regulations adopted by the State Board of Education, the Arkansas Department of Education (ADE) may request of the ATRS Executive Director, a waiver of the conditions for the ATRS earnings limitation. All request for waiver must originate with ADE. If approved, the waiver shall be effective for one (1) year from the date of approval. The waiver may be reviewed for consideration annually by the ATRS Executive Director upon request by ADE.

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**RECIPROCITY
(Act 611 of 1975)**

DEFINITIONS (Amended by Act 857 of 1997)

1. "Reciprocal system" means the Teacher Retirement System of Arkansas in operation June 30, 1957, and continued by Act 93 of 1957, as amended; or the Arkansas State Highway Employees Retirement System, established by Act 454 of 1949, as amended; or the Arkansas Public Employees Retirement System established by Act 177 of 1957, as amended or the Arkansas State Police Retirement System established by Act 311 of 1951, as amended; or an alternate retirement plan for a college, university or the Arkansas Department of Higher Education provided for under A.C.A. 24-7-801, et seq., or for a vocational-technical school or the Division of Workforce Education (formerly the Division of Vocational and Technical Education) provided for under A.C.A. 24-7-901, et seq.
2. "State employer" means the public employer whose employees are covered under the Teacher Retirement System of Arkansas; or the public employer whose employees are covered under the Arkansas State Employees Retirement System, or the public employer whose employees are covered under the Arkansas Public Employees Retirement System, or the public employer whose employees are covered by the Arkansas State Police Retirement System.
3. "Alternate retirement plans" refers to the retirement plan(s) of a college, university or the Department of Higher Education provided for under A.C.A. 24-70-801, et seq., or for a vocational-technical school or the Division of Workforce Education (formerly the Division of Vocational and Technical Education) provided for under A.C.A. 24-7-901, et seq.

SUMMARY OF RECIPROCAL SERVICE ACT 611 OF 1975

If a member leaves the employ of a State employer whose position is covered by any of these four (4) retirement systems and enters the employ of another State employer whose position is covered by any of these four (4) retirement systems, he shall be entitled to a deferred annuity payable from the preceding system subject to the following conditions:

1. Age & Service
 - a) He has credited service acquired in the employ of the preceding State employer.
 - b) He does not withdraw his contributions, or if he has withdrawn, he repays the amount withdrawn, plus interest, while he is an active member of a reciprocal system.

c) He qualifies for age and service retirement in the succeeding reciprocal system by using his credited service in force with the preceding reciprocal system plus his credited service acquired in the employ of the succeeding State employer to meet the minimum service requirements of the succeeding system. This would also qualify him for benefits in the preceding system.

d) His deferred annuity payable by the preceding reciprocal system shall be determined by the annuity formula in effect at the time of retirement in the preceding system, exclusive of any minimum amounts.

e) If the Teacher Retirement System is the preceding system, his annuity begins the first day of the month next following the month he filed his application or after his attainment of age 60 years, whichever is later. However, should he have combined service of at least 25 years, the age limitation shall not apply. In no case shall his deferred annuity begin prior to the date he retires from the employ of his last state employer.

2. Disability

a) If he has five (5) or more years of combined creditable service in two (2) or more reciprocal systems, he is eligible to apply for disability benefits from each reciprocal system in which he has credited service.

b) Eligibility for disability benefits is determined under the rules and regulations of each respective system.

c) He shall be eligible for a refund of his accumulated contributions plus interest, if any, from any reciprocal system in which he does not qualify for disability benefits. Such refund shall not alter his eligibility for benefits from any other reciprocal system.

d) His annuity for disability retirement payable by the preceding reciprocal system shall begin the first day of the calendar month next following the month he filed his application for it with the preceding system, but not prior to the date he leaves the employ of his last State employer.

POLICIES

1. A person who leaves a position covered by the Teacher Retirement System and is employed by a reciprocal system and files a reciprocal service agreement become a deferred (inactive) member and is entitled to the benefit formula in effect at the time of retirement, exclusive of any minimum amounts.

2. The final average compensation used in computing benefits payable by the preceding system shall be that of the reciprocal system furnishing the highest final average salary at the time of retirement. To determine the final average salary, only

service credit and salaries earned in a system will be used, even if the service does not total five years. Salaries earned in the Arkansas Judicial Retirement System and alternate retirement plans shall not be used in computing final average compensation.

3. The provisions of policy number 2 shall not be applicable to a person who elects to contribute on a maximum salary of \$7,800 unless he shall have changed to full salary and shall have paid the difference between 6% of 7,800 and 6% of full salary retroactive to July 1, 1969; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds which include contributory service, he must pay the additional contributions due to change to full salary.

A member whose salary for reporting purposes is \$7800, and who has not received a refund, may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary for reporting purposes. Additional employer contributions for that period shall not be due from the member. However, if a member elects to make this change, he must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986.

4. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system until the member has ceased to be in the employ of a State employer.
5. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system earlier than age 60 unless he has 25 or more years of combined service.
6. No minimum benefits apply under Act 488 as amended for reciprocal service unless the Teacher Retirement System is the succeeding system and the member has five (5) or more years of credited service in the Teacher Retirement System
7. If the death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive more as a percent of the deceased member's final pay or as a minimum dollar amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with other reciprocal systems that have a minimum benefit provision in their plans. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratio of such service in such system to the total service in all reciprocal systems. If the reciprocal system is an alternate retirement plan, death-in-service benefits shall be contingent upon provisions of that benefit having been provided by the alternate retirement plan and having been selected by the member as a benefit.

8. If an employee of the Department of Human Services who becomes a member of the Public Employee's Retirement System under the provisions of Act 793 of 1977 as amended leaves employment with the Department of Human Services and becomes employed in another position covered by the Teacher Retirement System, his benefits for service, both before and after his service under Act 793, shall be subject to the benefit provisions of the Teacher Retirement law. Such member shall be eligible to establish reciprocity under the provisions of Act 488 of 1965 as amended.
9. If a member has reciprocal service during the same fiscal year with both the Teacher Retirement System and the Public Employees Retirement System and if, under the two systems' methods of credited service, the combined service amounts to more than one full year of service credit, the ATRS will credit service as follows:
 - a) If credit by PERS is less than three (3) months, ATRS will credit service for the full year.
 - b) If credit by PERS is three (3) or more months but less than six (6) months, ATRS will credit service for three-fourths (3/4) year.
 - c) If credit by PERS is six (6) or more months but less than nine (9) months, ATRS will credit service for one-half (1/2) year.
 - d) If credit by PERS is for nine (9) months but less twelve (12) months, ATRS will credit service for one-fourth (1/4) year.
10. A member who has established reciprocity with the Teacher Retirement System as the succeeding system and has at least ten (10) years of service credit with the Teacher Retirement System will be eligible for the minimum amounts for retirement benefits (Act 221/99). He or she will not receive less than \$1,800 per year (contributory option) or \$1,128 (non-contributory option) or a peroration of the two. Effective July 1, 1998, a member who has established reciprocity with the System as the succeeding system and has at least five (5) years of service credit with the Teacher Retirement system will be eligible for the minimum amounts for retirement benefits: \$100.00 per month, or \$1,200 per year, if the member has only contributory service, or a peroration of the two if the member has a combination of contributory and non-contributory service.
11. Effective January 1, 1988, all purchases and payments paid with after-tax dollars shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

An agreement to complete payment shall exist upon acceptance of the initial payment.

12. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.
13. Effective July 1, 1993, for a ninety- (90) day period, employees of the Arkansas Rehabilitation Services may transfer from the Public Employees Retirement System to the Teacher Retirement System. Any employee making the change will establish reciprocity between the two systems and Act 793 shall no longer apply.

PART I
COLLEGE ALTERNATE
(ACT 436 OF 1967)

DEFINITIONS

1. "Staff Member" means both teachers and administrative officers eligible for membership in the Teacher Retirement System.
2. "Alternate Retirement Plan" means a retirement plan based on purchase of contracts providing retirement and death benefits for teachers and administrative officers.
3. Any staff member employed after the establishment of the Alternate Retirement Plan shall participate in such plan or in the Teacher Retirement Plan.
4. Any staff member employed prior to July 1, 1969, who is a member of the Teacher Retirement System shall continue such membership or shall participate in the Alternate Plan.
5. Eligibility to participate in the Alternate Retirement Plan is as follows, except that on or after July 1, 1993, until December 31, 1993, any staff member employed or appointed by a college or university who has less than ten (10) years of member service in the retirement system and who has not already so elected, may elect to terminate his membership in the retirement system and participate in the alternate retirement plan established by the employing college or university:
 - a) An employee of a State supported institution of higher learning covered by the Arkansas Teacher Retirement System who is a compulsory member of the System may elect, within one year from the date of his employment, to participate in the Alternate Retirement Plan of the institution. Such election shall be in writing and filed with the Teacher Retirement System and the institution. All accumulated contributions made by the member shall be refunded.
 - b) Any staff member who does not make the election within one year after he becomes eligible must remain a member of the Teacher Retirement System until such time as he completes 10 years of membership service. At that time, he again becomes eligible to elect to participate in the Alternate Plan. He may leave his contributions in the System or he may withdraw. Such election shall be in writing and filed with (1) TRS and (2) the college. If the member chooses to leave contributions in the System, the effective date of such elections shall be the July 1 next following the date the election is filed.
6. Any staff member with five (5) or more years who elects or has elected to participate in the Alternate Plan and has left his contributions in the Teacher Retirement System

shall qualify for vested annuity on or after attaining age 60 as determined by the benefit formula in effect at the time of retirement, subject to earnings limitations as provided by the law.

7. Arkansas Code of 1987 Annotated 24-7-1003 requires certain employees of state universities and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS). Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges and are in pay grade of 17 and below will become members of APERS. All members of APERS who are promoted to a position Grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. (Revised 11/18/97)

POLICIES

1. Service for the year in which a member changes to the College Alternate Retirement Plan will be adjusted by Data Processing of Teacher Retirement as follows:

Service Reported D2A for each year	Service Credit Allowed by TRS	Converted to Computer Days
0 - 44 days	0 year	0 - 29 days
45 - 89 days	¼ year	30 - 59 days
90 - 134 days	½ year	60 - 89 days
135 - 179 days	¾ year	90 - 119 days
180 days	1 year	120 days

2. After a person makes the election to participate in the College Alternate Plan, he may not again become an active participant in the Teacher Retirement System unless he becomes employed in a position covered by the System, but not covered by the College Alternate Plan.
3. Benefits for a deferred, inactive member who is participating in the College Alternate Retirement Plan can become effective the first of the month after he files his Application for Teacher Retirement Annuity form, provided:
 - a) He has attained age 60
 - b) He has terminated employment in a covered position.

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PART II
COLLEGE ALTERNATE
(Act 1075 of 1975)

DEFINITIONS

1. Act 1075 of 1975 is an act to amend Act 512 of 1971 and Act 9 of 1971 to permit an option regarding participation in retirement plans; and for other purposes.
2. Legislative Acts 521 and 9 of 1971 provided that those employees of the University of Arkansas at Pine Bluff (Arkansas AM&N College at Pine Bluff) and the University of Arkansas at Monticello (Arkansas AM&N College at Monticello) who continued in employment at the University of Arkansas after the appropriate merger dates would continue in certain retirement plans.
3. An employee of the University of Arkansas at Pine Bluff prior to July 1, 1972 who had continued his employment without interruption since that date shall have the option to elect to participate in the Alternate Retirement Plan on or before July 1, 1976.
4. An employee of the University of Arkansas at Monticello prior to July 1, 1971 who had continued his employment without interruption since that date shall have the option to elect to participate in the Alternate Retirement Plan on or before July 1, 1976.
5. Such election to participate in the Alternate Retirement Plan shall be subject to the following:
 - a) An employee with less than 10 years of membership service may elect to participate in the Alternate Plan. A refund of contributions is mandatory.
 - b) An employee with 10 or more years of membership service may elect to participate in the Alternate Plan and:
 - 1) Freeze his Teacher Retirement contributions. If the member chooses deferred retirement, the effective date of such election shall be the July 1 next following the date the election is filed.
 - 2) Receive a refund of all contributions.
 - c) If an employee with five (5) or more years of credited service elects to participate in the Alternate Retirement Plan and leaves his contributions in the Teacher Retirement System, he will qualify for a deferred (vested) annuity on or after attaining age 60 and after retirement from covered employment, to be determined by the formula in effect at the time of his retirement.

- d) If an employee fails to make an election by July 1, 1976, membership is frozen in the Teacher Retirement System until such time as he completes his five (5) years of membership service. At that time, he again becomes eligible to make the election to transfer to the Alternate Plan and (1) freeze his contributions in TRS or (2) receive a refund of all contributions.
- e) Such election shall be in writing and filed with the Chief Fiscal Officer of the campus where the person is employed on or before July 1, 1976. Such Fiscal Officer shall then forward a copy of all elections to the Retirement System.
- f) Act 288 of 1981 amended Act 1075 to provide that a teacher or administrator at the University of Arkansas at Pine Bluff or the University of Arkansas at Monticello who has elected to participate in an alternate retirement plan must be retired from covered employment to qualify for Teacher Retirement benefits.
- g) Arkansas Code of 1987 Annotated 24-7-1003 requires certain employees of state universities and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS). Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges and are in pay grade of 17 and below will become members of APERS. All members of APERS who are promoted to a position Grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. (Revised 11/18/97)

PART III

COLLEGE ALTERNATE (Act 545 of 1983)

1. All persons except those who are eligible for membership in either the Teacher Retirement System or the College Alternate Plan under Act 436 of 1967, employed by Arkansas State University; Arkansas State University, Beebe; the University of Central Arkansas; Henderson University; Southern Arkansas University, El Dorado; Southern Arkansas University, Technical Branch, Camden; or a state supported community college on or after March 19, 1983, shall be members of the Public Employees Retirement System unless, at the time of employment, they are already member of the Teacher Retirement System due to previous employment with an employer covered by said Teacher Retirement System.
2. All non-teaching employees of the above named institutions who were members on March 19, 1983, of the Teacher Retirement System have the option of remaining members of the Teacher Retirement System or terminating membership in that system and enrolling in the Public Employees Retirement System, provided that election to change was made on or before July 30, 1986.
3. Employees of the above named institutions that were employed before March 19, 1983 and who were not members of a state retirement system on or before March 19, 1983, may become members of the Teacher Retirement System after March 19, 1983. The Teacher Retirement System will not credit back service with the above named institutions to persons who are not active members of the Teacher Retirement System.
4. Arkansas Code of 1987 Annotated 24-7-1003 requires certain employees of state universities and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS). Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges and are in pay grade of 17 and below will become members of APERS. All members of APERS who are promoted to a position Grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. (Revised 11/18/97)

**ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM
(Act 1244 of 1991)**

DEFINITIONS

1. "Community college" means an institution of higher education established or to be established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, college transfer courses, and courses in general adult education.
2. "Branch campus of a community college" means an institution with facilities located apart from the community college campus but within the community college district.
3. "Satellite College" means an institution located within a service area of a technical or community college but not located within a community college district.
4. "Technical college" means an institution of higher education established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, courses in general adult education and courses comparable in content and quality to freshman and sophomore courses which may carry transfer credit to a four-year institution in a chosen course of study.

POLICIES (Amended by Act 332 of 1995)

1. Effective July 1, 1991, the following institutions are designated as technical colleges and become part of the Arkansas Technical and Community College System under the coordination of the State Board of Education:
 - a) Black River Vocational Technical College, Pocahontas
 - b) Cosseted Vocational Technical College, De Queen
 - c) Gateway Vocational Technical College, Batesville
 - d) Mid-South Vocational Technical College, West Memphis
 - e) Oil Belt Vocational Technical College, El Dorado
 - f) Ozark Vocational Technical College, Melbourne
 - g) Petit Jean Vocational Technical College, Morrilton
 - h) Pines Vocational Technical College, Pine Bluff
 - i) Pulaski Vocational Technical College, North Little Rock
 - j) Red River Vocational Technical College, Hope
 - k) Twin Lakes Vocational Technical College, Harrison
2. As provided in Act 1244 of 1991 or upon approval of the State Board of Vocational Education, the board of trustees of the receiving institution, The State Board of Higher Education and the North Central Association - Commission on Institutions of Higher Education thereafter, a state-supported vocational-technical institution may be

consolidated with a four-year institution or a two-year branch campus of a four-year institution.

3. Following approval by the North Central Association - Commission on Institutions of Higher Education, and upon approval of the board of trustees of the receiving institution, the following state-supported vocational-technical institutions and four-year institutions or two-year branch campuses of a four-year institution shall be consolidated: White River Vocational Technical School with Arkansas State University - Beebe Campus.
4. Except as provided below, effective July 1, 1991, the Mountain Home Education Center (postsecondary only) (Baxter County) shall be designated as a technical college. However, the advisory board of the Mountain Home Education Center (Baxter County) may, by resolution prior to July 1, 1991, elect not be a technical college.
5. If approved by majority vote of the qualified electors of Boone County voting in a special election before July 1, 1991, then effective July 1, 1991, Twin Lakes Technical College shall become a candidate for merger with North Arkansas Community College. However, if the voters of Boone County do not approve the measure, then Twin Lakes Technical College shall continue to be a technical college.
6. All employees who are employed by state-supported postsecondary vocational-technical schools converting to an institution under the Technical and Community College System or those employees of a two-year branch campus of a four-year institution converting to a technical or community college, shall become employees of the technical or community college, branch campus of the community college or satellite campus of the community college and shall continue their terms of employment and shall have all rights and benefits of employment, including retirement benefits, that they had when employed by the state-supported postsecondary vocational-technical schools or by the two-year branch campus of the four-year institution.
7. Each instructor and administrative staff member of a state-supported postsecondary vocational-technical school employed on July 1, 1991, shall within ninety (90) days following the transfer to the Technical and Community College System or upon transfer to the system with the approval of the board, elect either to continue membership in the retirement plan in which he or she was enrolled prior to that date or transfer to the Teacher Retirement System or any alternate retirement plan currently established for the institution into which it is being merged or consolidated. Once such election is made, the election is irrevocable during the tenure of employment with the system.
8. Each instructor and administrative staff member of a two-year campus of a four-year institution which is later converted to a technical college or community college shall within ninety (90) days following the appointment of the local board elect either to

continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.
10. Effective July 1, 1997, staff members who elect to participate in an alternate retirement plan may elect to become members of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 1997, and notice of the election shall be made in writing and filed with the retirement system and the disbursing officer of the employing college or university by December 31, 1997.
11. Arkansas Code of 1987 Annotated 24-7-1003 requires certain employees of state universities and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS). Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges and are in pay grade of 17 and below will become members of APERS. All members of APERS who are promoted to a position Grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. (Revised 11/18/97)

**VOCATIONAL EDUCATION ALTERNATE PLAN
(Act 480 of 1983)**

DEFINITIONS

1. "Alternate Retirement Plan" means a retirement plan based on the purchase of contracts providing retirement and death benefits for instructors and administrative staff of the post-secondary vocational technical school of the State of Arkansas and the staff of the Department of Workforce Education and which has been approved by the board.
2. "School" means any post-secondary vocational technical school established pursuant to Section 3 of Act 328 of 1957 for the vocational training of students.
3. "Board" means the state Board for Workforce Education and Career Opportunities.
4. "Staff members" means both instructors and administrative staff of a post-secondary vocational technical school and the staff of the Department of Workforce Education who are eligible for membership in the Teacher Retirement System.
5. "Director" means the Director of the Department of Workforce Education.

POLICIES (Amended by Act 332 of 1995; Act 944 of 1997)

1. On or after July 1, 1983, the Board may establish and maintain an Alternate Retirement Plan, which shall authorize the purchase of contracts providing retirement and death benefits for staff members. Under such plan, staff members shall contribute, to the extent authorized or required, toward the purchase of such contracts, which shall be issued to and become the property of, the participants. This Alternate Retirement Plan shall be administered by the Board pursuant to a written Alternate Retirement Plan document, which shall be formally adopted by the Board prior to the establishment of the Alternate Retirement Plan.
2. All staff members shall participate in either the Teacher Retirement System or an Alternate Plan or both, but participation in both shall be limited to the circumstances described in number 3 below.
3. Any staff member who has become fully vested in the Retirement system may elect to discontinue contributing to the Teacher Retirement System, thus becoming an "inactive member," and participate instead in an Alternate Retirement Plan. Such election shall be in writing and shall be filed with both the Teacher Retirement System and the Director within 90 days after establishment of the Alternate Retirement Plan and prior to the staff member's participation in an Alternate Retirement Plan. Under such circumstances, the staff member would be both an "inactive member" of the Teacher Retirement System and an "active member" of the Alternate Retirement Plan.

4. Any staff member who has become fully vested in the Teacher Retirement System may elect to participate in an Alternate Retirement Plan and receive all accumulated contributions to the credit of such staff member in the member's deposit account and have such member's credited service under the Teacher Retirement System cancelled.
5. Notwithstanding the foregoing provisions, any staff member who has participated in the Teacher Retirement System for a period which is insufficient to allow for full vesting of that staff member's Retirement system benefits may elect to (1) continue as an "active member" in the Teacher Retirement System, (2) discontinue membership in the Teacher Retirement System and transfer from the Teacher Retirement System into his or her account with the alternate Retirement Plan; i.e., roll over all contributions which the staff member has previously made to the Teacher Retirement System, or (3) participate in the Alternate Retirement Plan and receive all accumulated contributions to the credit of such staff member in the member's deposit account. A refunds cancels such member's credited service under the Teacher Retirement System.
6. No staff member may participate in an Alternate Retirement Plan without giving prior written notice of his or her election to participate in the Alternate Retirement Plan. Such notice of election shall be made within 90 days of the date on which the Alternate Retirement Plan goes into effect, provided such election was made by September 1, 1985, or, for new staff members, 90 days after the staff member's date of employment. Such notice of election shall be in writing on a form established by the Department of Workforce Education and filed with both the Director and the Teacher Retirement System.
7. No staff member who elects to change from participation in the Teacher Retirement System to participation in the Alternate Retirement Plan, but continues employment in a position covered by the Teacher Retirement System, shall receive a year's service credit for less than a full year of contributions. The provision for crediting a year's service credit for only 120 days work is applicable only to members whose employment is terminated during a fiscal year.
8. Service for the year in which a member changed to the Alternate Retirement Plan will be adjusted by the Data Processing department of Teacher Retirement as follows:

Service Reported D2A for each year	Service Credit Allowed by TRS	Converted to Computer Days
0 - 44 days	0 year	0 - 29 days
45 - 89 days	$\frac{1}{4}$ year	30 - 59 days
90 - 134 days	$\frac{1}{2}$ year	60 - 89 days
135 - 179 days	$\frac{3}{4}$ year	90 - 119 days
180 days	1 year	120 days

9. Effective July 1, 1997, staff members who elect to participate in an alternate retirement plan may elect to become members of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 1997, and notice of the election shall be made in writing and filed with the retirement system and the disbursing officer of the employing college or university by December 31, 1997.
10. Service for the year in which a member changed to the Teacher Retirement System shall be credited as follows:

Transfer made to TRS	Credit received in TRS
7-1-97	120 days
8-1-97	120 days
9-1-97	90 days
10-1-97	90 days
11-1-97	60 days
12-1-97	60 days

**ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM
(Act 1244 of 1991)**

DEFINITIONS

1. "Community college" means an institution of higher education established or to be established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, college transfer courses, and courses in general adult education.
2. "Branch campus of a community college" means an institution with facilities located apart from the community college campus but within the community college district.
3. "Satellite College" means an institution located within a service area of a technical or community college but not located within a community college district.
4. "Technical college" means an institution of higher education established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, courses in general adult education and courses comparable in content and quality to freshman and sophomore courses which may carry transfer credit to a four-year institution in a chosen course of study.

POLICIES

1. Effective July 1, 1991, the following institutions are designated as technical colleges and become part of the Arkansas Technical and Community College System under the coordination of the State Board of Education:
 - a) Black River Vocational Technical College, Pocahontas
 - b) Cosseted Vocational Technical College, De Queen
 - c) Gateway Vocational Technical College, Batesville
 - d) Mid-South Vocational Technical College, West Memphis
 - e) Oil Belt Vocational Technical College, El Dorado
 - f) Ozark Vocational Technical College, Melbourne
 - g) Petit Jean Vocational Technical College, Morrilton
 - h) Pines Vocational Technical College, Pine Bluff
 - i) Pulaski Vocational Technical College, North Little Rock
 - j) Red River Vocational Technical College, Hope
 - k) Twin Lakes Vocational Technical College, Harrison
2. As provided in Act 1244 of 1991 or upon approval of the State Board of Vocational Education, the board of trustees of the receiving institution, The State Board of Higher Education and the North Central Association - Commission on Institutions of Higher Education thereafter, a state-supported vocational-technical

institution may be consolidated with a four-year institution or a two-year branch campus of a four-year institution.

3. Following approval by the North Central Association - Commission on Institutions of Higher Education, and upon approval of the board of trustees of the receiving institution, the following state-supported vocational-technical institutions and four-year institutions or two-year branch campuses of a four-year institution shall be consolidated: White River Vocational Technical School with Arkansas State University - Beebe Campus.
4. Except as provided below, effective July 1, 1991, the Mountain Home Education Center (postsecondary only) (Baxter County) shall be designated as a technical college. However, the advisory board of the Mountain Home Education Center (Baxter County) may, by resolution prior to July 1, 1991, elect not be a technical college.
5. If approved by majority vote of the qualified electors of Boone County voting in a special election before July 1, 1991, then effective July 1, 1991, Twin Lakes Technical College shall become a candidate for merger with North Arkansas Community College. However, if the voters of Boone County do not approve the measure, then Twin Lakes Technical College shall continue to be a technical college.
6. All employees who are employed by state-supported postsecondary vocational-technical schools converting to an institution under the Technical and Community College System or those employees of a two-year branch campus of a four-year institution converting to a technical or community college, shall become employees of the technical or community college, branch campus of the community college or satellite campus of the community college and shall continue their terms of employment and shall have all rights and benefits of employment, including retirement benefits, that they had when employed by the state-supported postsecondary vocational-technical schools or by the two-year branch campus of the four-year institution.
7. Each instructor and administrative staff member of a state-supported postsecondary vocational-technical school employed on July 1, 1991, shall within ninety (90) days following the transfer to the Technical and Community College System or upon transfer to the system with the approval of the board, elect either to continue membership in the retirement plan in which he or she was enrolled prior to that date or transfer to the Teacher Retirement System or any alternate retirement plan currently established for the institution into which it is being merged or consolidated. Once such election is made, the election is irrevocable during the tenure of employment with the system.
8. Each instructor and administrative staff member of a two-year campus of a four-year institution which is later converted to a technical college or community college shall within ninety (90) days following the appointment of the local board elect either to

continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.
10. Arkansas Code of 1987 Annotated 24-7-1003 requires certain employees of state universities and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS). Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges and are in pay grade of 17 and below will become members of APERS. All members of APERS who are promoted to a position Grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. (Revised 11/18/97)

ACT 793 of 1977

DEFINITION

Employees of the Department of Human Services who are members of the Teacher Retirement System and have met the requirements of Section 3.02b of Act 793 of 1977 by making contributions to the System based on full salary since July 1, 1969 or since initial enrollment in membership of the Teacher Retirement System, if later than July 1, 1969, are eligible to elect coverage under the non-contributory benefit provisions of Act 793 of 1977, provided such election is made on or before June 30, 1991.

POLICIES

1. Employees of the Department of Human Services who have elected coverage under Act 793 will qualify for benefits under the Act 793 formula for all their years of credited service, including service as a member of the Teacher Retirement System.
2. The effective date of transfer of active membership from the Teacher Retirement System to the Public Employees Retirement System shall be January 1, 1978.
3. For employees who elect coverage under Act 793, the Teacher Retirement System will refund both employee and employer contributions based on service after January 1, 1978.
4. In computing its liability for benefits for employees of the Department of Human Services retiring under the provisions of Act 793, the Teacher Retirement System will allow one-half (1/2) year of credited service for the 1977-78 fiscal year (July 1, 1977 - December 31, 1977).
5. The Teacher Retirement System will be liable for funding of benefits for credited service established with the System prior to January 1, 1978. When a member of the Public Employees Retirement System who has credited service with the Teacher Retirement System retires from employment with the Department of Human Services under the provisions of Act 793, the Teacher Retirement System's liability for his benefits will be computed:
 - a) By using the retiring member's final average salary at the time of retirement as defined by Act 793 and certified by the Public Employees Retirement System.
 - b) By using the Teacher Retirement System benefit provisions in effect January 1, 1978, to compute his monthly annuity guaranteed by Teacher Retirement.
 - c) On and after January 1, 1993, for benefit amounts based upon employment before January 1, 1978, Department of Workforce Education of Rehabilitation Services employees who are still active employees on January 1, 1993, shall have

benefits computed in accordance with current benefit provisions in effect for the Teacher Retirement System at the time of their retirement.

6. Monthly benefits will be paid in the name of the retired member to the Public Employees Retirement System, except that on and after August 13, 1993, Arkansas Public Employees Retirement System shall certify monthly the total amount of benefits paid and the Teacher Retirement System shall immediately transfer such amount from its benefit account to the proper account designated by the Arkansas Public Employees Retirement System.
7. Employees of the Department of Human Services who have elected coverage under Act 793 are eligible to establish reciprocity between the Teacher Retirement System and the Public Employees Retirement System and repay a refund or establish prior service. (Attorney General's Opinion (#84-154).
8. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.

ERRONEOUS MEMBERSHIP

DEFINITIONS

1. "Erroneous Membership" means an employee was enrolled in a State retirement system in which he was not eligible for membership and both employee and employer contributions have been accepted by the "System of Record."
2. "Retirement System of Record" means the system that holds an erroneous membership.
3. "Eligible retirement system" means the retirement system in which the employee is eligible for membership.
4. "Employer" means an employing state agency or employing school district.

POLICIES

1. Employees erroneously enrolled in a state retirement system on or after January 1, 1979, may elect to remain a member of the system of record or may become a member of the eligible retirement system.
2. With the exception of erroneously enrolled persons who choose to remain in the system of record, the Teacher Retirement System will notify all employers that the following persons should be enrolled in the Teacher Retirement System:
 - a) Any person employed by a school for the purpose of giving instruction and whose employment requires state certification.
 - b) Any other person first employed by a school on or after July 1, 1989, in a regular or special position.
 - c) Any person first employed on or after July 1, 1989, by any of the following organizations or agencies:

State School for the Blind; State School for the Deaf; Arkansas Activities Association; a local school board; Chief County School Officers; State Board of Education; Regional Educational Cooperatives; the State Surplus Property Program; the Teacher Retirement System; Arkansas Rehabilitation Service; the Division of Rehabilitation Services for the Blind.
 - d) Any person employed in a position with an area Vocational Technical School, except those employees who have elected to participate in an Alternate Retirement Plan established by Act 480 of 1983; or the Arkansas Educational Television Commission.

- e) Any person employed in a covered position with a technical college, except those employees who elect under Act 1244 of 1991 to remain in the retirement plan in which he or she was enrolled prior to July 1, 1991, or any alternate retirement plan currently established.
 - f) Any person employed in a position with the Arkansas Rehabilitation Services for the Blind or the Youth Services Division, except those employees who have elected coverage under Act 793 of 1977; provided, however, that any employee hired by Youth Services after July 1, 1977, is ineligible for membership in the Teacher Retirement System (Attorney General's opinion #77-249).
3. After July 1, 1979, the Teacher Retirement System will make no further effort to correct the retirement system membership of persons who were erroneously enrolled in another state retirement system before January 1, 1979. The Teacher Retirement System will not accept as members, persons who were erroneously enrolled in another state retirement system before January 1, 1979, unless that person's contributions were refunded prior to July 1, 1979.
 4. If an employee was erroneously enrolled in the Teacher Retirement System before January 1, 1979, and if his contributions were not refunded prior to July 1, 1979, he shall continue to be a member of the Teacher Retirement System. He shall receive service credit for all paid membership service in the System and any free service, which is creditable under Act 427 of 1973 as amended. He shall also be entitled to reciprocal service credit as provided by Act 488 of 1965 as amended.
 5. If it is discovered by the Teacher Retirement System that an employee became erroneously enrolled in a state retirement system on or after January 1, 1979, the Teacher Retirement System will notify both the employer and employee that the membership is erroneous and that it may be corrected as prescribed by Act 13 of 1991.
 6. If a person who is employed before July 1, 1989, as a school janitor, bus driver or cafeteria worker is enrolled in the Public Employees Retirement System under the provision of Act 63 of 1965, and later is promoted to a position of school maintenance worker or supervisor, bus mechanic or transportation supervisor, or cafeteria manager, respectively, he shall continue to be a member of the Public Employees Retirement System as long as he is employed in one of these respective capacities.
 7. If it is discovered by the Teacher Retirement System that an employee became erroneously enrolled in a state retirement system on and after January 1, 1979, the Teacher Retirement System will notify both the employer and employee that the membership is erroneous and that it should be corrected as prescribed by A.C.A. 24-2-304.

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**QUALIFIED DOMESTIC RELATIONS ORDERS
FOR ACTIVE MEMBERS
(Act 1143 of 1993)**

DEFINITIONS

"Alternate payee" means a spouse, former spouse, child or other dependent of a participant under Arkansas law.

POLICIES (Amended by Act 644 of 1995)

1. The qualified domestic relations order of the chancery court is authorized to specify a designated percent of a fractional interest on any retirement benefit payment that may be paid to an alternate payee.
2. Qualified domestic relations orders issued by a chancery court of the State of Arkansas and which apply to a participant of the Teacher Retirement System (retirement plan) shall be accepted by the system, subject to the following restrictions:
 - (a) Benefits to the alternate payee shall begin when the participant retires, or ceases employment in a covered position and receives a refund of contributions.
 - (b) Pursuant to Act 1143 of 1993, a model qualified domestic relations order is added as Addendum A to these policies. Any qualified domestic relation order issued by a chancery court of Arkansas must comply with the content of and substantially follow the form set out in the addendum.
 - (c) When a qualified domestic relations order is received by the retirement plan,
 - (1) the plan administrator shall promptly notify the participant and the alternate payee of the receipt of such order, and
 - (2) within a reasonable time after receipt of the order, determine whether the order is a qualified domestic relations order as set out in Addendum A to these policies and notify the participant and the alternate payee of such determination.
 - (d) Qualified domestic relations orders received prior to a participant's retirement or cessation of employment will be handled as set out in (d) above, but any amounts payable to the alternate payee will be held in the participant's account until due to be paid.
 - (e) Nothing contained in the qualified domestic relations order shall be construed to require the retirement plan to provide an alternate payee any type or form of benefit or option not otherwise available to the participant; to provide the alternate

payee actuarial benefits not available to the participant; or to pay an benefits to the alternate payee which are required to be paid to another alternate payee under a previous qualified domestic relations order.

(f) Should the alternate payee die prior to the receipt of benefits under the qualified domestic relations order, the entire amount due the alternate payee shall revert to the participant.

(g) Should the participant die prior to retirement, the alternate payee shall receive the same percentage of the participant's contributions, if any, as was awarded by the court in dividing the marital property. In no case shall the alternate payee receive monthly benefits from the retirement plan.

(h) Monthly benefits paid the alternate payee shall be computed on the benefit formula in effect at the time of the participant's retirement, but shall include only service credit earned by the participant during the marital relationship.

(i) The retirement plan shall have the right to make any necessary correction to the monthly benefit amount paid both to the participant and the alternate payee and to recover from either, or both, any overpayments made.

(j) If the alternate payee fails at any time to notify the retirement plan of any mailing address change, the retirement plan shall not be eligible for failure to make the payments as due.

(k) Should the retirement plan determine that the alternate payee's monthly benefits are less than \$20.00, the participant shall be paid the total benefit due and shall be responsible for paying the alternate payee the amount due.

(l) Qualified domestic relations order received by the retirement plan before the effective date of Act 1143 of 1993 may be honored but only if the participant or the alternate payee notifies the plan, and it is determined that the order is a qualified order as set out in Addendum A. (Board approved 2/10/98)

ADDENDUM A

**ACTIVE MEMBERS
OF THE
ARKANSAS TEACHER RETIREMENT SYSTEM
MODEL QUALIFIED DOMESTIC RELATIONS ORDER**

IN THE CHANCERY COURT OF _____ COUNTY,
ARKANSAS

PLAINTIFF
_____ NO.

DEFENDANT

QUALIFIED DOMESTIC RELATIONS ORDER

(Introduction describing how the case came before the Court for disposition.) The Court finds and orders that this Qualified Domestic Relations Order, pursuant to Act 1143 of 1993 as amended, is an integral part of and is incorporated into the judgment, decree or order of this Court entered _____ (Date) which relates to the provisions therein for child support, alimony or martial property rights, including approval of a property settlement agreement, awarded to a spouse or former spouse, child or other dependent of _____ (Name of Party), a participant in _____ (Name of Plan), hereafter referred to as "the Plan."

**I.
BACKGROUND INFORMATION**

[MEMBER'S NAME AND SOCIAL SECURITY NUMBER] is the participating member whose last known address is [MEMBER'S ADDRESS]. The member's date of birth is [MEMBER'S DATE OF BIRTH]. [ALTERNATE PAYEE'S NAME AND SOCIAL SECURITY NUMBER] is the alternate payee whose last known address is [ALTERNATE PAYEE'S ADDRESS]. The alternate payee's date of birth is [ALTERNATE PAYEE'S DATE OF BIRTH]. The participating member and the alternate payee were married on [DATE OF MARRIAGE].

**II.
BENEFITS**

Benefits under the plan are distributed as follows: (Choose One)

1. The alternate payee is awarded [_____] % of the member's monthly retirement benefit as of [DATE OF DIVORCE].

[OR]

2. The alternate payee is awarded [\$_____] of [FRACTIONAL INTEREST] of the member's accrued annuity benefit as of [DATE OF DIVORCE].

[OR]

3. The alternate payee is awarded [\$_____] of the member's monthly retirement benefit as of [DATE OF DIVORCE].

III.

TIME OF BENEFIT RECEIPT

The plan shall begin benefit payments to the alternate payee upon the earlier event: (1) when the participating member retires, or (2) ceases employment in a covered position and requests a refund of contributions.

IV.

DURATION OF PAYMENTS TO ALTERNATE PAYEE (Choose One)

NOTE: Choose the appropriate optional language as applicable under the following alternatives:

* Choose Option A if the benefits to the alternate payee are to be paid over the member's life under the single life annuity option with no surviving spouse annuity benefits upon the member's death.

* Choose Option B if the benefits to the alternate payee are to be paid as an actuarial equivalent of the alternate payee's share of the benefits payable over the alternate payee's life.

A. Alternate payee shall receive a single life annuity that is equal to the alternate payee's share of the benefit payable throughout the life of the participating member.

B. Alternate payee shall receive an adjusted single life annuity that is equal to the actuarial equivalent of the alternate payee's share of the benefit payable throughout the life of the alternate payee. The alternate payee's monthly benefit may not exceed the amount that would be paid under the single life annuity.

V.

WITHDRAWAL FROM RETIREMENT SYSTEM (Choose One)

A. If the participating member discontinues covered employment and withdraws the member contributions in a lump sum, the alternate payee shall receive [_____] % of the

member's account balance as of [DATE OF DIVORCE] accumulated with interest as required by the Plan.

[OR]

B. If the participating member discontinues covered employment and withdraws the member contributions in a lump sum, the alternate payee shall receive [_____] % of [FRACTIONAL INTEREST] of the member's accrued annuity benefit of [DATE OF DIVORCE] accumulated with interest as required by the Plan.

[OR]

C. If the participating member discontinues covered employment and withdraws the member contributions in a lump sum, the alternate payee shall receive [\$_____] from the member's account balance accumulated with interest as required by the Plan.

VI. LIMITATIONS OF THIS ORDER

A. If the alternate payee dies prior to the receipt of benefits under this Order, the entire amount that may be due to the alternate payee reverts to the participating member.

B. If the participating member dies prior to retirement, the alternate payee will receive [_____] % share of the member's contributions as of [DATE OF DIVORCE], or [_____] % of [FRACTIONAL INTEREST] of the member's accrued annuity benefit as of [DATE OF DIVORCE], or [\$_____] of the member's accrued annuity benefits as of [DATE OF DIVORCE].

C. The benefit enhancements provided by the Arkansas legislature for service during the marital relationship which are adopted after the end of the marital relationship apply to the alternate payee's portion of benefits under this Order.

D. If the participant or alternate payee receives any distribution that should not have been paid per this Order, the party is designated a constructive trustee for the amount received and shall immediately notify the Arkansas Teacher Retirement System and comply with written instructions as to the distribution of the amount received.

E. Alternate payee is ORDERED to provide the Plan prompt written notification of any changes in alternate payee's mailing address. The Arkansas Teacher Retirement System shall not be liable for failing to make payments to alternate payee if the Arkansas Teacher Retirement System does not have a current mailing address for alternate payee at time of payment.

F. If payments from the Plan to the alternate payee are determined to be less than \$20.00 a month, the Court orders the Plan to disburse the money to the participating member who shall pay same to the alternate payee.

G. Alternate payee shall furnish a certified copy of this Order to the Arkansas Teacher Retirement System.

H. The Court retains jurisdiction to amend this Order so that it will constitute a qualified domestic relations order under the Plan even though all other matters incident to this action or proceeding have been fully and finally adjudicated. If the Arkansas Teacher Retirement System determines at any time that changes in the law, the administration of the Plan, or any other circumstances make it impossible to calculate the portion of the distributions awarded to alternate payee by this Order and so notifies the parties, either or both parties shall immediately petition to the Court for reformation of the Order.

IT IS SO ORDERED THIS _____ DAY OF _____, 19_____

CHANCELLOR

**QUALIFIED DOMESTIC RELATIONS ORDERS
FOR RETIRED MEMBERS
(Act 1143 of 1993)**

DEFINITIONS

"Alternate payee" means a spouse, former spouse, child or other dependent of a participant under Arkansas law.

POLICIES (Amended by Act 644 of 1995)

1. The qualified domestic relations order of the chancery court is authorized to specify a designated percent of a fractional interest on any retirement benefit payment that may be paid to an alternate payee.
2. Qualified domestic relations orders issued by a chancery court of the State of Arkansas and which apply to a participant of the Teacher Retirement System (retirement plan) shall be accepted by the system, subject to the following restrictions:
 - (a) Pursuant to Act 1143 of 1993, a model qualified domestic relations order is added as Addendum A to these policies. Any qualified domestic relation order issued by a chancery court of Arkansas must comply with the content of and substantially follow the form set out in the addendum.
 - (b) When a qualified domestic relations order is received by the retirement plan,
 - (1) the plan administrator shall promptly notify the participant, and the alternate payee of the receipt of such order, and
 - (2) within a reasonable time after receipt of the order, determine whether the order is a qualified domestic relations order as set out in Addendum A to these policies and notify the participant and the alternate payee of such determination.
 - (c) Nothing contained in the qualified domestic relations order shall be construed to require the retirement plan to provide an alternate payee any type or form of benefit or option not otherwise available to the participant; to provide the alternate payee actuarial benefits not available to the participant; or to pay an benefits to the alternate payee which are required to be paid to another alternate payee under a previous qualified domestic relations order.

- (d) Should the alternate payee die prior to the receipt of benefits under the qualified domestic relations order, the entire amount due the alternate payee shall revert to the participant.
- (e) Should the participant die prior to retirement, the alternate payee shall receive the same percentage of the participant's contributions, if any, as was awarded by the court in dividing the marital property. In no case shall the alternate payee receive monthly benefits from the retirement plan.
- (f) The retirement plan shall have the right to make any necessary correction to the monthly benefit amount paid both to the participant and the alternate payee and to recover from either, or both, any overpayments made.
- (g) If the alternate payee fails at any time to notify the retirement plan of any mailing address change, the retirement plan shall not be liable for failure to make the payments as due.
- (h) Should the retirement plan determine that the alternate payee's monthly benefits are less than \$20.00, the participant shall be paid the total benefit due and shall be responsible for paying the alternate payee the amount due.
- (i) Qualified domestic relations order received by the retirement plan before the effective date of Act 1143 of 1993 may be honored but only if the participant or the alternate payee notifies the plan, and it is determined that the order is a qualified order as set out in Addendum A. (Board approved 2/10/98)
- (j) During any period while it is being determined if the order is a qualified domestic relations order, the plan administrator shall separately account for the amounts which would have been payable to the alternate payee during that time.
- (k) Should the participant rescind retirement, the monthly benefit for the member and the alternate payee shall cease. Benefits for the member and the alternate payee will resume when the member retires, or ceases employment in a covered position or receives a refund of contributions.

ADDENDUM A

**RETIRED MEMBERS
OF THE
ARKANSAS TEACHER RETIREMENT SYSTEM
MODEL QUALIFIED DOMESTIC RELATIONS ORDER**

IN THE CHANCERY COURT OF _____ COUNTY,
ARKANSAS

PLAINTIFF

_____ NO.

DEFENDANT

QUALIFIED DOMESTIC RELATIONS ORDER

(Introduction describing how the case came before the Court for disposition.) The Court finds and orders that this Qualified Domestic Relations Order, pursuant to Act 1143 of 1993 as amended, is an integral part of and is incorporated into the judgment, decree or order of this Court entered _____ (Date) which relates to the provisions therein for child support, alimony or marital property rights, including approval of a property settlement agreement, awarded to a spouse or former spouse, child or other dependent of _____ (Name of Party), a participant in _____ (Name of Plan), hereafter referred to as "the Plan."

**I.
BACKGROUND INFORMATION**

[MEMBER'S NAME AND SOCIAL SECURITY NUMBER] is the participating member whose last known address is [MEMBER'S ADDRESS]. The member's date of birth is [MEMBER'S DATE OF BIRTH]. [ALTERNATE PAYEE'S NAME AND SOCIAL SECURITY NUMBER] is the alternate payee whose last known address is [ALTERNATE PAYEE'S ADDRESS]. The alternate payee's date of birth is [ALTERNATE PAYEE'S DATE OF BIRTH]. The participating member and the alternate payee were married on [DATE OF MARRIAGE].

**II.
BENEFITS**

Benefits under the plan are distributed as follows: (Choose One)

1. The alternate payee is awarded [_____%] of the member's monthly retirement benefit as of [DATE OF DIVORCE].

[OR]

2. The alternate payee is awarded [\$_____] of [FRACTIONAL INTEREST] of the member's accrued annuity benefit as of [DATE OF DIVORCE].

[OR]

3. The alternate payee is awarded [\$_____] of the member's monthly retirement benefit as of [DATE OF DIVORCE].

III. TIME OF BENEFIT RECEIPT

The plan shall begin benefit payments to the alternate payee upon the earlier event: (1) when the participating member retires, or (2) ceases employment in a covered position and requests a refund of contributions.

IV. DURATION OF PAYMENTS TO ALTERNATE PAYEE (Choose One)

NOTE: Choose the appropriate optional language as applicable under the following alternatives:

* Choose Option A if the benefits to the alternate payee are to be paid over the member's life under the single life annuity option with no surviving spouse annuity benefits upon the member's death.

* Choose Option B if the benefits to the alternate payee are to be paid as an actuarial equivalent of the alternate payee's share of the benefits payable over the alternate payee's life.

A. Alternate payee shall receive a single life annuity that is equal to the alternate payee's share of the benefit payable throughout the life of the participating member.

B. Alternate payee shall receive an adjusted single life annuity that is equal to the actuarial equivalent of the alternate payee's share of the benefit payable throughout the life of the alternate payee. The alternate payee's monthly benefit may not exceed the amount that would be paid under the single life annuity.

V.
LIMITATIONS OF THIS ORDER

- A. If the alternate payee dies prior to the receipt of benefits under this Order, the entire amount that may be due to the alternate payee reverts to the participating member.
- B. The benefit enhancements provided by the Arkansas legislature for service during the marital relationship which are adopted after the end of the marital relationship apply to the alternate payee's portion of benefits under this Order.
- C. If the participant or alternate payee receives any distribution that should not have been paid per this Order, the party is designated a constructive trustee for the amount received and shall immediately notify the Arkansas Teacher Retirement System and comply with written instructions as to the distribution of the amount received.
- D. Alternate payee is ORDERED to provide the Plan prompt written notification of any changes in alternate payee's mailing address. The Arkansas Teacher Retirement System shall not be liable for failing to make payments to alternate payee if the Arkansas Teacher Retirement System does not have a current mailing address for alternate payee at time of payment.
- E. If payments from the Plan to the alternate payee are determined to be less than \$20.00 a month, the Court orders the Plan to disburse the money to the participating member who shall pay same to the alternate payee.
- F. Alternate payee shall furnish a certified copy of this Order to the Arkansas Teacher Retirement System.
- G. The Court retains jurisdiction to amend this Order so that it will constitute a qualified domestic relations order under the Plan even though all other matters incident to the action or proceeding have been fully and finally adjudicated. If the Arkansas Teacher Retirement System determines at any time that changes in the law, the administration of the Plan, or any other circumstances make it impossible to calculate the portion of the distributions awarded to alternate payee by this Order and so notifies the parties, either or both parties shall immediately petition to the Court for reformation of the Order.

IT IS SO ORDERED THIS _____ DAY OF _____, 19 _____

CHANCELLOR

**TEACHER DEFERRED
RETIREMENT OPTION PLAN (T-DROP)
(Act 1096 of 1995)
(Amended by Acts 118, 927 and 953/97; Act 1590/99)**

DEFINITIONS

1. "T-DROP" means, effective July 1, 1995, in lieu of terminating employment and accepting a service retirement benefit, any active member of the Arkansas Teacher Retirement System may elect to participate in the Teacher Deferred Retirement Option Plan (T-DROP), continue to work without the earnings limitation restriction of Arkansas Code Section 24-7-708, in a position covered by the Teacher Retirement System and defer receipt of retirement benefits until a later date.
2. "T-DROP interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, credited annually on each T-DROP participants' T-DROP account (currently 6%).
3. "Deferred retirement option plan" means an option for retirement provided by the Arkansas Teacher Retirement System, or any other deferred retirement option plan created by, or authorized for creation, by law under a reciprocal system.

POLICIES

1. To participate in the T-DROP, the member must have at least twenty-eight (28) years of service credit in the Arkansas Teacher Retirement System.
2. To participate in the T-DROP, the member will make the election on an application form or forms furnished and approved by the Board of Trustees of the Arkansas Teacher Retirement System.
3. Within a reasonable period of time, the member's application will be reviewed and a determination will be made regarding whether the member meets the eligibility requirements specified in Act 1096 of 1995.
4. If the member is deemed eligible to participate in the T-DROP, his T-DROP date will be the later of:
 - a) the first day of the second month following the Board of Trustees' determination of his eligibility to participate, or
 - b) the date requested by the member on the application.
5. The member's T-DROP benefit will be the monthly straight life annuity benefit to which he would have been entitled had he actually retired on the T-DROP date as

determined by #4 above, but without applying the earnings limitation set out in Arkansas Code Section 24-7-708.

6. A member who elects participation in the T-DROP may elect one (1) of the annuity options provided in Arkansas Code 24-7-706. The election shall be made at the time the member separates from service and is granted a monthly retirement benefit. The beneficiary, or beneficiaries shall be chosen in accordance with Arkansas Code Section 24-7-706.
7. T-DROP contributions shall be a percentage of the T-DROP benefit, as follows:
 - a) If applicable, one hundred percent (100%) reduced by the product of one percent (1.0%) multiplied by the number of years of contributory service credit and fractions thereof, plus,
 - b) If applicable, one hundred percent (100%) reduced by the product of six-tenths percent (0.6%) multiplied by the number of years of non-contributory service credit and fractions thereof.
 - c) In the event a member has more than thirty (30) years of service, the years of service above thirty (30) years shall be reduced by one-half of one percent (0.5%) for contributory years and three-tenths of one percent for non-contributory years.
8. An additional reduction of $\frac{1}{2}$ of 1% for each month the member lacks having in the T-DROP to having thirty (30) years of credited service, will be applied.
9. The member's T-DROP account shall be the account into which his T-DROP contributions shall be deposited. At the end of each fiscal year, the member's T-DROP account shall be credited with T-DROP interest on the mean balance in the account for the fiscal year. However, no more than ten (10) years of interest shall be credited to any participant's T-DROP account.
10. On July 1, 1996, a T-DROP participant whose effective T-DROP date was August 1, 1995, shall be eligible to receive a cost-of-living adjustment just as if the participant had been a participant beginning July 1, 1995.
11. The election to participate in the T-DROP is irrevocable.
12. In the event a T-DROP participant applies for disability benefits under Arkansas Code Section 24-7-704, Arkansas Code Section 24-7-701 shall apply and no disability benefits shall become payable.
13. During the period of T-DROP participation, no member shall receive service credit under any state-supported retirement system, and both member and employer contributions to the Arkansas Teacher Retirement System shall cease.

14. In the event a T-DROP participant dies, the benefits payable from the T-DROP shall be determined according to A.C.A. 24-7-710(b)(1), (b)(1)(A) and (b)(1)(B).
However, the T-DROP participant's surviving spouse may choose to receive the T-DROP benefit in a lump sum without affecting options on the monthly retirement benefit payable from the Arkansas Teacher Retirement System.
15. For the purposes of Arkansas Code Section 24-7-709, T-DROP contributions shall be considered annuity payments.
16. As soon as possible after the end of each fiscal year of participation in the T-DROP, the participant shall be furnished an annual statement of the account.
17. At the time the member actually separates from service and is granted a monthly retirement benefit, participation in the T-DROP shall cease.
18. When the member's participation in the T-DROP ceases, the member may elect to receive the balance in the T-DROP account as a lump sum or in a monthly benefit paid according to the annuity option elected by the member at the time he elects to receive monthly benefits. This amount shall be in addition to the monthly benefit to which the member became entitled as a result of electing to participate in the T-DROP.
19. If the member elects to receive the balance in the T-DROP account as a monthly benefit, a factor approved by the Board of Trustees shall be used to determine the conversion of the T-DROP balance to a monthly benefit amount.
20. When participation in the T-DROP ceases, the member shall receive regular monthly benefit amounts in the same manner as if the member had retired on the T-DROP date.
21. Following participation in the T-DROP, no participant shall be eligible to receive service credit under any Arkansas state-supported retirement system.
22. The T-DROP is intended to operate in accordance with Section 415 and other applicable sections of the United States Internal Revenue Code. Any provision of the T-DROP found to be in conflict with an applicable provision of the Internal Revenue Code shall be declared null and void.

Reciprocal Systems

1. Reciprocal retirement system members, may, in lieu of terminating employment, continue with employment with covered employers and can accept a service retirement benefit under the Arkansas Teacher Retirement System, or any other deferred retirement option plan which might be created by, or authorized for creation by law under a reciprocal system.

2. If the preceding or succeeding reciprocal system offers a deferred retirement option plan for its member, both service in the preceding and the succeeding system may be counted to meet the minimum service credit requirements for benefits under a system's deferred retirement option plan.
3. The benefit payable by the preceding reciprocal system shall be based on the annuity formula of the preceding reciprocal system, exclusive of any minimum amount at the time the person begins to receive monthly retirement benefits from that system under its deferred retirement option provisions. The final average compensation to be used to determine monthly benefits payable to that person shall be that of the reciprocal system which furnishes the highest final average salary at the time of retirement, but each reciprocal system shall use the method of computing final average salary stipulated by its law. Salaries earned in the Arkansas Judicial Retirement System and alternate retirement plans shall not be used in computing final average compensation.
4. Any interest credited to the deferred retirement account will be paid to the member's account under the deferred retirement option benefit program in effect for that system.
5. The boards of trustees of each preceding or succeeding system shall promulgate rules and regulations as are necessary to coordinate their benefits with any system providing a deferred retirement option plan.

**PRIVATIZED EMPLOYERS AND NONPROFIT CORPORATIONS
REQUESTING ENTRY INTO THE ARKANSAS TEACHER RETIREMENT
SYSTEM
(Board approved 8/11/98)**

Act 1064 of 1997 allows the employees of certain privatized employers performing services for public school districts and certain educational nonprofit corporations to become members of the Arkansas Teacher Retirement System.

DEFINITIONS:

1. "ATRS" shall mean the Arkansas Teacher Retirement System.
2. "Organization" shall mean (i) any private entity providing services for a public school district and whose employees were formerly employed by the school district and had been members of ATRS, and (ii) any educational nonprofit corporation associated with the Community Resources Network (formerly the Community Providers Association of Arkansas).
3. "Employees" shall mean any persons employed by an Organization.

POLICIES:

1. Effective July 1, 1997, under certain conditions, membership in the Teacher Retirement System shall include employment in an enterprise privatized by a public school district. If a public school district should privatize any of its services, any individual who is or was employed by the school district in one of those services and who is or has been a member of ATRS may elect to remain a member provided the Board of Trustees determines by adopting rules and regulations that participation of these employees in the system will not in any way impair any legal status of the system, including, but not limited to, its status as a governmental plan, or have a substantial adverse impact on the actuarial soundness of the system. In addition, the private provider must assume all responsibility for the required employer contributions and any fees for obtaining IRS rulings or ERISA opinions.
2. Effective July 1, 1997, under certain conditions, membership in the Teacher Retirement System shall include employment in positions with educational nonprofit corporations associated with the Community Resources Network, provided the nonprofit corporation has elected to participate in the Arkansas Teacher Retirement System and the Board of Trustees determines by adopting rules and regulations that participation of these employees in the system will not in any way impair any legal status of the system, including, but not limited to, its status as a governmental plan, or have a substantial adverse impact on the actuarial soundness of the system. Such employment shall be related to the training of public school employees or school board members, teaching public school students, or in adult education programs.

The employment shall not be related in any manner to private schools. Each educational nonprofit corporation shall be approved according to rules and regulations established by the Board of Trustees to be considered an employer, and such nonprofit corporation assumes all responsibility for the required employer contributions and any fees for obtaining IRS rulings or ERISA opinions.

3. Application for Membership. Any Organization, which desires for its employees to become members of ATRS, shall make written application to the Executive Director of ATRS, specifying the proposed effective date for such participation.
4. Information Provided to ATRS. Each application for membership shall contain the following information and materials:
 - a) A certified copy of the Articles of Incorporation, Bylaws and other organizational documents of the Organization;
 - b) A copy of the most recent three (3) years' annual financial statements, including balance sheet, financial statements and statement of cash flows, or if such Organization does not have audited financial statements, the year-end compilation reports or internal balance sheet and income statements for the Organization;
 - c) A copy of the most recent three (3) years' federal and state income tax returns;
 - d) A description of the sources of funding of the Organization, including the percentage of such funds provided by the federal or state government and the type of such government funds;
 - e) A description of how the Board of Directors or Board of Trustees is selected, and whether any governmental agency has input of the selection of board members;
 - f) A description of the types of persons served by the Organization, and which government agency or agencies would be responsible for providing such services if the Organization did not do so.
5. Tax Ruling. After counsel for ATRS has reviewed the information provided pursuant to Item 4 above, such counsel shall determine whether a ruling should be requested from the Internal Revenue Service that the participation of the employees of the Organization will not jeopardize the status of ATRS as a "governmental plan." If counsel determines that such a ruling should be requested, the Organization shall provide any additional information and statements requested by counsel in connection with such ruling request.

6. Fees. If counsel for ATRS determines that a ruling should be requested, the Organization shall pay to ATRS not less than the sum of \$3,000 or the actual cost for the fees and costs associated with such ruling request.

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