

**DEFINITIONS CONCERNING
PURCHASE OF SERVICE CREDITS/REPAYMENT OF REFUNDS**

1. **Additional Contributions** - Contributions due on service rendered in a covered position but not withheld by the employer. This term also applies to the difference between the employee/employer contributions paid on the first \$ 7,800.00 and actual salary earned. **A.C.A. § 24-7-406(a)(6).**
2. **Back Contributions** - 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. **A.C.A. § 24-7-502(b)(5)(A)(i).**
3. **Employer Pick-Up** - Contributions withheld from salary by covered employers after June 30, 1997. Such contributions shall not be subject to state and federal income taxes and shall not be included as gross income until distributed or made available to the member. "Picked-Up" contributions may also be used to repay a refund or purchase service. **A.C.A. § 24-7-406(h).**
4. **Military Service (purchased)** - The purchase of active duty military service. **A.C.A. § 24-7-602 and A.C.A. § 24-2-502.**
5. **National Guard Service** - Service rendered in the Arkansas National Guard. **A.C.A. § 24-7-610.**
6. **Noncontributory to Contributory** – Payment made to convert noncontributory service credit to contributory service credit. **A.C.A. § 24-7-406(f)(3)(A)(ii).**
7. **Out-of-State Service** - Service rendered in any state except Arkansas in a position that would have been covered by ATRS had the service been rendered in the state of Arkansas. **A.C.A. § 24-7-603.**
8. **Overseas Service** - 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). **A.C.A. § 24-7-604.**
9. **Private School Service** - Service rendered in any private school or agency recognized by the Arkansas State Department of Education for the issuance of teaching licenses. **A.C.A. § 24-7-607.** Employment under the Head Start Programs will be considered private school service and will have the same requirements for the issuance of teaching licenses by the Arkansas State Department of Education.

10. **Repayment of Refund** - Repayment to ATRS of contributions that have been withdrawn. Withdrawal of contributions forfeits contributory service credit. Service credit can be restored by repayment of a refund. **A.C.A. § 24-7-502(b)(4)(A) and A.C.A. § 24-7-406(d).**
11. **Rollover/Transfer** – Acceptance of before tax contributions as rollover distributions and/or direct rollovers of distributions from plans pursuant to Rule No. 8-4 (Acceptance of Rollovers).
12. **Sabbatical Leave** - 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. **A.C.A. § 24-7-606.**
13. **Interest** - The rate or rates per annum, compounded annually, as the Board shall adopt from time to time, that will be charged for the purchase of service credit or to repay a refund, but the rate shall equal no less than the System's current assumed interest rate assumption (currently 8%). **A.C.A. § 27-7-202(16).**

Adopted: June 15, 2004

Amended: April 26, 2007

REPAYMENT OF REFUNDS

[A.C.A. § 24-7-502(b)(4)(A) and A.C.A. § 24-7-406(d)]

DEFINITION (Amended by Act 142 of 1997)

Repayment of refund means repayment to the System of contributions that have been withdrawn. Withdrawal of contributions forfeits contributory service credit. Service credit can be restored by repayment of a refund. A.C.A. § 24-7-502(b)(4)(A)

RULES (Amended by Act 524 of 1995; Acts 142 and 206 of 1997; Act 866 of 1999)

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 reestablish active membership by completing thirty (30) days or more during his last such re-employment.
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. The most recent refund account must be paid in full before another refund account can be established for purchase.
3. The cost to repay a refund account is the entire amount withdrawn plus interest from the date of withdrawal to the date of final payment.
4. An agreement to complete payment shall exist upon acceptance of the initial payment.
5. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
6. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the repayment of refunds under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).
7. All rules pertaining to the minimum payments and payment methods are contained in Rule No. 8-5 (Purchase Payments).

Amended: February 3, 2004
June 15, 2004
April 26, 2007

FREE MILITARY SERVICE
(A.C.A. § 24-7-602)

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. Reenlistment 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, if:
 - A. The minimum number of days to be combined is 120;
 - B. The maximum number of fiscal years to be counted is two (2); and
 - 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 actual service in the Arkansas Teacher Retirement System, excluding military service credit.
8. The member must not be receiving, nor 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 actual 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 actual service in the Arkansas Teacher Retirement System.

Amended: April 26, 2007

PURCHASE OF ADDITIONAL CONTRIBUTIONS

[A.C.A. § 24-7-406(b)(6)]

[A.C.A. § 24-7-406(b)(4)]

DEFINITION (Amended by Act 206 of 1997 and Act 866 of 1999)

Additional Contributions mean contributions due on service rendered in a covered position but not withheld by the employer. The term also applies to the difference between the employee/employer contributions paid on the first \$7,800.00 and actual salary earned.

RULES

1. A member making contributions on the first \$7,800.00 of his/her salary may elect to change to full salary under the following conditions:
 - A. 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 that 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;
 - i. Provided, however, if a member who is making contributions only on the first \$ 7,800.00 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he/she shall be considered on full salary for reporting purposes.
 - ii. However, should he/she wish to repay any refunds that include contributory service, he/she must pay the additional contributions due to change to full salary.
2. A member whose salary for reporting purposes is \$7,800.00, and who has not received a refund, may elect to change effective July 1, 1986, to the noncontributory 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.
3. However, if a member elects to make this change, he/she must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986.
4. Contributions shall be required on all salary earned in covered employment during the fiscal year in which membership begins.

Should the 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. In no case shall a member be given credit for service rendered until any contributions and interest due from each are paid in full. Employee contribution underpayments of less than \$25.00 will not be collected.

5. If all prior service credit is not purchased at one time, the member must purchase the most recent service first.
6. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
7. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).
8. All rules pertaining to the minimum payments and payment methods are contained in the Rule No. 8-5 (Purchase Payments).

Adopted: June 15, 2004
Amended: June 18, 2005
April 26, 2007

PURCHASE OF NONCONTRIBUTORY SERVICE AS CONTRIBUTORY

[A.C.A. § 24-7-406(f)(3)(A)(ii)]
(Act 864 of 1999)

DEFINITION

Purchase of Noncontributory Service as Contributory - Payment made to convert noncontributory service credit to contributory service credit.

RULES

1. Beginning July 1, 1999, an active member who has noncontributory service may convert his/her noncontributory service to contributory 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.
2. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).
3. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
4. All rules pertaining to the minimum payments and payment methods are contained in Rule No. 8-5 (Purchase Payments).

Adopted: June 15, 2004

Amended: April 26, 2007

PURCHASE OF NATIONAL GUARD SERVICE
(A.C.A. § 24-7-610)

RULES (Act 1296 of 2001)

1. One year of purchased service credit shall be available for every five (5) years of Arkansas National Guard service. The cost to purchase Arkansas National Guard service is the current employee/employer rate 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. Military service credit purchased shall be limited to five (5) years.
3. Salaries for purchased Arkansas National Guard 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 Arkansas National Guard service shall be credited to the year in which it was rendered and cannot be purchased if prior to 1937-38.
5. Certification of Arkansas National Guard service must be submitted to ATRS in a manner approved by the System.
6. Total military service credited in the System cannot exceed five (5) years.
7. 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.
8. All purchased Arkansas National Guard service shall be counted as contributory service.
9. The Arkansas National Guard 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 actual service exclusive of Arkansas National Guard service. Should a member cease to be an active member before the Arkansas National Guard service has been established as System-credited service, the member payments contributed shall be refundable, together with interest thereon; however, due to IRS regulations, purchase account payments made through employer pick-up are subject to the restrictions as stated in Rule No. 8-6 (Cancellation of Purchase Service Accounts).

10. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).
11. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
12. All rules pertaining to the minimum payments and payment methods are contained in Rule No. 8-5 (Purchase Payments).

Amended: February 3, 2004
June 15, 2004
April 26, 2007

PURCHASE OF OUT-OF-STATE SERVICE
(A.C.A. § 24-7-603)

DEFINITION (Amended by Act 142 of 1997)

Out-of-state service is service rendered in any state except Arkansas in a position that would have been covered by the System had the service been rendered in the state of Arkansas.

RULES (Amended by Act 524 of 1995; Act 206 of 1997; Acts 110 and 866 of 1999)

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.
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. Fractions of years of service may be credited as provided by A.C.A. § 24-7-601.
4. Service credit purchased under the out-of-state provision shall be limited to a total of fifteen (15) years.
5. The cost to purchase out-of-state service is the employee and employer contribution rate in effect at the time of purchase times 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. If the member does not have at least three salaries comprising three years of service, the cost statement shall be based solely upon the first full year's annual salary for Arkansas service immediately preceding the purchase. If the member has not earned one full year of Arkansas service, no cost statement will be provided.
6. Interest is added to the cost:
 - A. If the cost is based solely on the member's first full year annual salary immediately preceding the purchase, interest will accrue from the end of that preceding year until paid in full.
 - B. If the cost is based on the member's first full year annual salary that is not immediately preceding the year at the time of the purchase, interest will accrue from the end of the preceding year until paid in full.

- C. If the cost is based upon the average of the member's three (3) highest salaries, interest will accrue from the end of the latest year used in the computation until paid in full.

Interest will accrue annually on any unpaid balance based upon the initial payment date.

- 7. If payment is not made in a single payment at the time of purchase, interest shall be added from the date of the initial payment until the date of payment in full. This shall apply to both the final average salary and previous year methods of calculation.
- 8. The out-of-state service shall not become credited service under ATRS until:
 - A. The member payments specified have been paid in full and;
 - B. The member has established five (5) or more years of actual service.
 - C. Should a member cease to be an active member before the out-of-state service has been established as System-credited service, the member payments contributed will be refundable in accordance with Rule No. 8-6 (Cancellation of Purchase Service Accounts).
- 9. 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.
- 10. 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.
- 11. Effective July 1, 1986, all purchased out-of-state service shall be counted as contributory service.
- 12. 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.
- 13. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
- 14. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).

15. All rules pertaining to the minimum payments and payment methods are contained in Rule No. 8-5 (Purchase Payments).

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June 15, 2004
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April 26, 2007

PURCHASE OF OVERSEAS SERVICE
(A.C.A. § 24-7-604)

DEFINITION (Amended by Act 142 of 1997; Act 866 of 1999.)

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).

RULES (Amended by Act 206 of 1997; Act 866 of 1999)

1. To be eligible for overseas service credit, a member must have a minimum of five (5) years of actual service.
2. In order to purchase overseas service, employer and employee contributions must be paid on the later of the active member's salary in the overseas school or the annual salary received by the member for the first full year of Arkansas 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.
3. Interest is added to the cost:
 - A. If the cost is based solely on the member's first full year annual salary immediately preceding the purchase, interest will accrue from the end of that preceding year until paid in full.
 - B. If the cost is based on the member's first full year annual salary that is not immediately preceding the year at the time of the purchase, interest will accrue from the end of the preceding year until paid in full.
 - C. If the cost is based upon the average of the member's three (3) highest salaries, interest will accrue from the end of the latest year used in the computation until paid in full.

Interest will accrue annually on any unpaid balance based upon the initial payment date.

4. A year of overseas service shall be a minimum of 120 days. Twenty (20) days shall be considered a month. The maximum overseas service that may be credited to a member is ten (10) years. Fractions of years of service may be credited as provided by A.C.A. § 24-7-601.
5. 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.
6. Purchased overseas service shall be credited to the year in which it was rendered.
7. 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.
8. 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.
9. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
10. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).
11. All rules pertaining to the minimum payments and payment methods are contained in Rule No. 8-5 (Purchase Payments).

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PURCHASE OF PRIVATE SCHOOL SERVICE
(A.C.A. § 24-7-607)

DEFINITION (Amended by Act 142 of 1997)

Private school service means service rendered in any private school or agency recognized by the State Department of Education for the issuance of teaching licenses. [(A.C.A. § 24-7-607(a)]

ATRS will recognize as private school service full-time service rendered in any private school or agency that is accepted as “educational work experience” by the State Department of Education for the renewal of teaching licenses.

From and after March 4, 1996, service rendered while employed under the Head Start Program will be considered as private school service. ATRS will require the State Department of Education to recognize the issuance of teaching licenses.

RULES (Amended by Acts 513 and 524 of 1995; Acts 142, 206, and 1053 of 1997; Acts 110 and 866 of 1999; Act 1534 of 2001; Act 1473 of 2003; and Act 385 of 2005) (A.C.A. § 24-7-607)

1. From and after January 1, 1990, an active member shall be eligible to purchase private school service 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 or her contributions to that system.
 - B. Service credited shall be limited to fifteen (15) years.
2. The cost to purchase private school service is the employee and employer contributions rate in effect at the time of purchase times 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. If the member does not have at least three salaries that comprise three years of service, the cost statement shall be based solely upon the first full year’s annual salary for Arkansas service immediately preceding the purchase. If the member has not earned one full year of Arkansas service, no cost statement will be provided.

3. Interest is added to the cost:
 - A. If the cost is based solely on the member's first full year annual salary immediately preceding the purchase, interest will accrue from the end of that preceding year until paid in full.
 - B. If the cost is based on the member's first full year annual salary that is not immediately preceding the year at the time of the purchase, interest will accrue from the end of the preceding year until paid in full.
 - C. If the cost is based upon the average of the member's three (3) highest salaries, interest will accrue from the end of the latest year used in the computation until paid in full. Interest will accrue annually on any unpaid balance based upon the initial payment date.
4. 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 actual 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; however, due to IRS regulations, purchase account payments made through employer pick-up are subject to the restrictions as stated in Rule No. 8-6 (Cancellation of Purchase Service Accounts).
5. If payment is not made in a single payment at the time of purchase, interest shall be added from the date of the initial payment until the date of payment in full. This shall apply to all methods of calculation. (Act 385 of 2005)
6. A year of private school service shall be for a minimum of one hundred twenty (120) days. Twenty (20) days shall be considered a month. Fractions of years of service may be credited as provided in A.C.A. § 24-7-601 and § 24-7-607(c).
7. Certification of Arkansas private school service, or out-of-state private school service, must be submitted to ATRS on a form provided by the System.
8. All private school service shall be counted as contributory. Purchased private school service shall be credited to the year in which it was rendered.
9. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).

10. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Acceptance of Rollovers).

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