

TEACHER DEFERRED RETIREMENT OPTION PLAN (T-DROP)

A.C.A. §§ 24-7-1301-1308, 1316 amended by Act 188 of 2005 and Acts 97 and 298 of 2007

DEFINITIONS

~~1. **T-DROP** means the Teacher Deferred Retirement Option Plan established by the System pursuant to under Act 1096 of 1995.~~

~~2. **T-DROP Plan deposits** means the deposits made to each participant's T-DROP account pursuant to A.C.A. § 24-7-1306.~~

~~3. **Plan Interest** means the rate per annum, compounded annually, as the Board shall adopt at the end of each fiscal year, credited annually on each T-DROP participant's T-DROP account. The interest rate shall be 2% less than the System's average rate of return with a maximum of 6% and minimum of 2%. Effective for fiscal years 2003-2004 and 2004-2005, the Board will determine the interest rate for the fiscal year based upon the rate of return for the twelve-month period ending March 31. The initial calculation of this rate shall begin March 31, 2004, for interest to be paid for the 2003-2004 fiscal year. Effective for fiscal year 2005-2006 and after, the Board will determine the interest rate for the next fiscal year based upon the rate of return for the immediately preceding twelve-month period ending March 31 prior to the start of such fiscal year. The initial calculation of this rate shall begin March 31, 2005, for interest to be paid in the 2005-2006 fiscal year.~~

~~4. **DROP** means a deferred retirement option plan created by law under the ATRS or a reciprocal system~~

1. **ATRS** means the Arkansas Teacher Retirement System.

2. **Board** means the Board of Trustees of the Arkansas Teacher Retirement System.

3. **DROP** means a deferred retirement option plan enacted by the General Assembly and administered under ATRS or a reciprocal system.

4. **Participant** means a member who elects to participate in T-DROP under A.C.A. § 24-7-1301 et seq. by authorizing ATRS to make plan deposits, plan interest, or 10-year plus T-DROP interest into a member's T-DROP account.

5. **Plan deposits** means the deposits made to each participant's T-DROP account pursuant to A.C.A. § 24-7-1306.

6. **Plan interest** means the rate per annum, compounded annually on June 30, as the Board shall set and adopt at the end of each fiscal year, credited annually in each T-DROP participant's T-DROP account. The interest rate shall be 2% less than the System's average rate of return with a maximum of 6% and minimum of 2%. The Board will determine the interest rate for the following fiscal year based upon the rate of return for the immediately preceding twelve-month period ending March 31 prior to the start of such fiscal year. The initial calculation of this rate shall begin March 31, 2005, for interest to be credited in the 2005-2006 fiscal year.

7. **T-DROP** means the Teacher Deferred Retirement Option Plan established by ATRS under Act 1096 of 1995.

8. **10-year plus T-DROP interest** means the rate per annum, compounded annually, as the Board shall set and adopt at the end of each fiscal year, credited on June 30 into a member's T-DROP account that meets the following criteria:

- A. The member participated in T-DROP for ten (10) years and continued employment with an ATRS covered employer; and
- B. The member has not retired.

T-DROP PARTICIPATION and ACCOUNT CREDIT

Effective July 1, 1995, in lieu of terminating employment and retiring under A.C.A. § 24-7-701, an active member of the ~~System~~ ATRS may elect to participate in T-DROP and continue to work for a covered employer. ~~If a member elects to participate in T-DROP, the The annuity deposits will not be subject to the earnings limitation restriction of A.C.A. § 24-7-708, and he/she will continue to work in a position covered by the System ATRS, deferring receipt of retirement benefits until a later date. By continuing covered employment, the participant defers receipt of retirement benefits until a later date.~~

During participation in T-DROP, ATRS shall credit each ~~member's~~ participant's T-DROP account with plan deposits and plan interest. ~~Plan interest will be interest credited at the end of each fiscal year in the T-DROP account at the rate set by the ATRS Board.~~

~~The plan interest credited shall be set by the Board of Trustees based upon the principles of cost neutrality and actuarial soundness of T-DROP and the System. In setting the T-DROP interest rate, the Board shall determine the interest rate annually for the following fiscal year. The plan interest rate determined by an affirmative majority vote of the Board shall be is final and binding upon the~~

~~System~~ ATRS and shall not be adjusted based on any revised rate of return reported after that date.

The 10-year plus T-DROP interest rate shall be set by the Board at same meeting that the plan interest rate is set. The 10-year plus T-DROP interest rate is limited to a maximum of six percent (6%) and a minimum of four percent (4%). The 10-year plus T-DROP interest rate will be credited to the participant's T-DROP account on June 30th of each year.

The initial 10-year plus T-DROP interest rate for 2010 is set at four percent (4%) and will be credited to the participant's T-DROP account on June 30, 2010. The 10-year plus T-DROP interest rate shall be set by the Board no later than the April Board meeting and that interest rate shall be credited to the participant's T-DROP account June 30th of the following year.

The 10-year plus T-DROP interest rate for each year determined by majority vote of the Board is final and binding upon the ATRS and shall not be adjusted based on any revised rate of return reported after that date.

RULES

1. To participate in the T-DROP, the member ~~must~~ shall have twenty-eight (28) or more years of ATRS and reciprocal service credit in the ~~Arkansas Teacher Retirement~~. For reciprocal service, refer to the section in this rule titled **"DROP PARTICIPATION UNDER RECIPROCAL SYSTEMS"**.
2. To participate in the T-DROP, the member ~~must~~ shall make the election on an application form approved by ~~the System~~ ATRS.
3. ~~Upon submission, the member's application will be reviewed and the System review of the member's application, ATRS shall determine if the member meets the eligibility requirements specified in A.C.A. § 24-7-1302, and approve or disapprove the application..~~
4. ~~If the member is deemed eligible to participate~~ meets the eligibility requirements, the member's T-DROP participation will begin the July 1 after the application is approved.
5. ~~The member's~~ participant's T-DROP benefit will be the monthly straight life annuity benefit to which ~~he or she~~ the member would have been entitled had the member retired under A.C.A. § 24-7-701, ~~reduced as specified in by No. 7 below.~~ The participant's T-Drop benefit may be reduced under the

conditions of No. 7 below. The T-DROP deposit ~~will~~ shall not include the benefits provided in A.C.A. § 24-7-713(b) (~~\$75.00 stipend~~).⁴

6. ~~T-DROP Plan~~ deposits shall be a percentage of the T-DROP benefit, as follows:
 - A. 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. One hundred percent (100%) reduced by the product of six-tenths percent (0.6%) multiplied by the number of years of noncontributory service credit and fractions thereof.
 - C.
 - i. In the event a ~~member~~ participant whose effective date in the T-DROP is before September 1, 2003, 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 (0.3%) for noncontributory years.
 - ii. Beginning July 1, 2001, when a participant whose effective date in the T-Drop is before September 1, 2003, reaches normal retirement age, the plan deposits shall be 100% with no reduction.
 - iii. For ~~any member~~ a participant whose effective date in the T-Drop is before September 1, 2003, or after, and who has more than thirty (30) years of service, the plan deposits for the years of service above thirty (30) years shall be reduced under Nos. 6A and 6B.
 - iv. For ~~any member~~ a participant whose effective date in the T-Drop is September 1, 2003, or after, the plan deposits for a participant who reaches normal retirement age shall continue as reduced under Nos. 6A and 6B.
 - ~~v. T-DROP plan deposits will not be subject to the earnings limitation in A.C.A. § 24-7-708.~~
7. A participant's plan deposit will incur an additional reduction of 0.5% for each month the member lacks having thirty (30) years of credited service.
8. A ~~T-DROP~~ participant may elect an annuity option provided in A.C.A. § 24-7-706. The election shall be made at the time the ~~member~~ participant

⁴ ~~A T-DROP member who entered the T-DROP plan effective June 1, 2001, or earlier will receive the benefit provided in A.C.A. § 24-7-713(b) (\$75.00 stipend) over and above the regular annuity upon retirement regardless of the years of credited service with ATRS.~~

separates from service and is granted a monthly retirement benefit or files for retirement upon reaching normal retirement age.

9. A member's participation in T-DROP shall not exceed ten (10) consecutive calendar years for accruing plan deposits. ~~Upon completion of 10 years of participation, all plan deposits and plan interest shall cease and no more than ten (10) years of plan deposits or interest shall be credited to any participant's T-DROP account.~~

If a participant continues covered employment after completing ~~10~~ ten (10) years in T-DROP, the T-DROP account will be credited with 10-year plus T-DROP interest as set by the Board. ~~benefits~~ Benefits payable at retirement will be based on the account balance at ~~the end of the tenth year~~ the month before the participant begins drawing retirement benefits.

10. ~~The annuity upon which T-DROP deposits are based shall receive the cost-of-living increase provided for in A.C.A. § 24-7-713(a) that shall be subject to the reduction applicable to all plan deposits in No. 6 above.~~ The annuity upon which plan deposits are calculated shall receive the cost-of-living increase provided for in A.C.A. § 24-7-713(a) or § 24-7-727. The annuity plus the cost-of-living increase is reduced or adjusted under the procedure described in No. 6 above.
11. The election to participate in the T-DROP is irrevocable.
12. ~~In the event a T-DROP participant applies~~ An application for ATRS disability benefits by a participant under A.C.A. § 24-7-704, A.C.A. § 24-7-701 shall apply, and no disability benefits shall become payable is considered a voluntary retirement. Therefore, a participant is not eligible for disability retirement benefits.
13. During or after completion of T-DROP participation, a member shall not receive service credit in ATRS or any other state-supported retirement system.
14. A member may not rescind T-DROP participation or retirement after T-DROP participation ~~for purposes of accruing~~ to accrue additional service credit for retirement.
15. If a T-DROP participant elects to retire and ~~a distribution of the T-DROP account is made by the System~~ ATRS distributes the T-DROP account to the participant, the participant shall not be allowed to reenroll in T-DROP.
16. As soon as possible after the end of each fiscal year, ATRS shall furnish the participant of participation in the T-DROP, the participant shall be furnished an annual statement of his/her the participant's T-DROP account.

17. ~~At the time the member~~ Participation in T-drop ceases when:
 - a. The participant separates from service and is granted a monthly retirement benefit from ATRS or a reciprocal plan; or
 - b. The participant reaches normal retirement age and retires without separation from service 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~~ as a monthly benefit annuitized paid according to ~~the~~ an annuity option offered for voluntary retirement and elected by the member ~~for voluntary retirement. This T-DROP amount, if~~ annuitized, the T-DROP benefit shall be in addition to the monthly benefit to which that the member became is entitled to under the age and service retirement provisions.
19. A lump-sum distribution of a ~~member's~~ participant's T-DROP account balance is eligible to be rolled over into a qualifying retirement plan. The ~~System~~ ATRS may only roll over the T-DROP account balance into one qualifying plan. A participant must elect to roll over a minimum of \$2,500 in order to request a rollover of the T-DROP account balance. All rollovers must be done in accordance with Policy No. 8-4 (Rollover Acceptance and Distribution).
20. If the ~~member~~ participant 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 lifetime monthly benefit amount.
21. When ~~the member's~~ participation in the T-DROP ceases, the member shall receive ATRS shall calculate age and service retirement as if the member had retired on the T-DROP ~~completion~~ election date.
22. The T-DROP is intended to operate in accordance with Section 415 and other applicable sections of the IRS Code. Any provision of the T-DROP ~~found to be in conflict~~ that conflicts with an applicable provision of the IRS Code shall be declared null and void is invalid.
23. If a ~~member~~ participant separates from covered employment but does not apply for monthly retirement benefits, the T-DROP monthly deposit ~~and accrued interest~~ shall cease the month of separation from service. No deposits ~~or interest~~ will be credited to the ~~members~~ participant's account for the duration of the separation. Upon returning to covered employment, the monthly deposits ~~and interest~~ will resume. Upon application for retirement, benefits will be paid according to the account balance at the time of separation from service or the month prior to the effective date the member files for retirement after reaching normal retirement age.

24. If a T-DROP participant leaves ATRS-covered employment to serve, on a voluntary or involuntary basis, in the uniformed services of the United States and returns to ~~service with a school~~ ATRS-covered employment, the member shall be treated as not having incurred a break in service with the employer. The employer shall certify to the ~~System~~ ATRS that reemployment was in accordance with the requirements set forth in Section 4312 of P.L.103-353, the Uniformed Services Employment and Reemployment Act (USERA) of 1994.

Under this subsection, uniformed services of the United States are limited to the armed forces, the Army, and the Air National Guard when engaged in active duty for training, inactive duty training, ~~or~~ full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the President in time of war or emergency.

- ~~25. The ATRS Board of Trustees is authorized to modify, amend, or promulgate additional policies in order to make the T-DROP cost-neutral to the System.~~

DEATH OF A T-DROP PARTICIPANT PRIOR TO RETIREMENT

1. In the event a T-DROP participant dies, the benefits payable from the T-DROP account shall be determined according to A.C.A. § 24-7-710.
2. A T-DROP participant's surviving spouse may choose to receive the T-DROP benefit in a lump sum. If the spouse elects a lump-sum payment of the T-DROP balance, the survivor annuities payable under A.C.A. § 24-7-710 shall be calculated on the service credit and salary earned by the member prior to participating in T-DROP.
3. For the purposes of A.C.A. § 24-7-709 related to disposition of residue, any amount received from the T-DROP account, either in the form of a lump sum or annuity payments, shall be considered to be annuity payments received by the member or his or her designated beneficiary and shall act to reduce or eliminate the disposition of residue payable under A.C.A. ~~§ 24-7-1306(b)~~ § 24-7-1310(c).

DROP PARTICIPATION UNDER RECIPROCAL SYSTEMS

1. If a reciprocal system offers a DROP for its members, ~~both service credit in ATRS, and the~~ a reciprocal system, or the combination of service credit in the systems may be counted to meet the minimum service credit requirements for participation under each system's DROP.

2. The benefit payable by the reciprocal system shall be based on the DROP provisions of each system. The final average salary used to determine plan deposits shall be that of the reciprocal system which furnishes the highest final average salary at the time of retirement. 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~~ salary.
- 3 Plan deposits and plan interest credited to the DROP account will be paid under the deferred retirement option program in effect for that reciprocal system.
4. ~~The board of each reciprocal system~~ ATRS shall promulgate rules and regulations ~~as are necessary~~ to coordinate its benefits with any reciprocal system providing a deferred retirement option plan DROP.

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