

POLICY TYPE: Ends

POLICY TITLE: Customer Perspective

1. Promote contribution rates, benefits, and services comparable to other teacher retirement systems.¹ 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~~ employer of the System, the Legislative Council, and the Governor [A.C.A. §§24-2-702 and 24-7-305(d)].
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.

¹ See Footnote 1, page 2-1-1 (Financial Perspective Policy).

- 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 as 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 group² and at a cost that is comparable to its peer group.³
 - 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
 - viii. Refunds, terminating payments
 - ix. Service credit purchases

² "Peer group" as used here refers to a number of retirement systems selected by Cost Effective Measurement, Inc., that are most like ATRS.

³ 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.

- x. Disability pensions
- xi. Financial control & governance
 - (1) The Annual Report

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

CONTRIBUTORY/NONCONTRIBUTORY SERVICE

(A.C.A. § 24-7-406)

DEFINITIONS

1. **"Noncontributory 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 **"noncontributory 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 of 1999; Acts 23 and 47 of the 2nd Extraordinary Session of 2003; and Act 385 of 2005)

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 noncontributory 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 of 1999)
3. Effective July 1, 1999, All 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. A. Effective July 1, 2005, any active member whose status later changes from nonteacher status to teacher status under contract for one hundred eighty-one (181) days or more shall make the member contributions regardless of an earlier election to be noncontributory.
B. If the change of status from nonteacher to teacher occurs during a year in which service has already been reported as noncontributory, the change to contributory will occur beginning with the next fiscal year.
4. 5. Effective July 1, 1999, New new members who are not under contract will not make member contributions.
5. 6. A. All current active members, as of July 1, 1999, were required to will make an irrevocable election to be contributory or noncontributory on or before June 30, 2000. This An election to become contributory will remains in effect for

the remainder of the member's career. If no election is was made by June 30, 2000, the member ~~will~~ remained in the plan he/she was in as of that date.

B. Effective July 1, 2005

i. Acts 23 and 47 of the 2nd Extraordinary Session of 2003 as amended by Act 385 of 2005 (A.C.A. § 24-7-406(f)(5) provide that, subject to a determination by the Board under Subsection 5Biii below, effective July 1, 2005, and each July 1 thereafter, active members who have previously elected to eliminate member contributions may make an irrevocable election to make future contributions to the Retirement System.

ii. If the election is made before the preparation of the first salary payment to the member in the fiscal year, the election will become effective immediately. If the election is after the preparation of the first payroll containing the first salary payment to the member in the fiscal year, the election shall become effective July 1 of the next fiscal year.

iii. A.C.A. § 24-7-406(f)(C) further provides that if the Board determines that a member's contributions may not be treated as employer contributions under the Internal Revenue Code or Income Tax Act of 1929, § 26-51-101 et seq., the Board may exclude such member's participation under this subsection 6(B).

~~6.~~ 7. All former, active members who re-enter the System after June 30, 1999, must make an election within one year of his reentry. If no election is made, the member will be enrolled in the plan that he/she was in prior to reentry.

~~7.~~ 8. 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 and will make contributions. (See Policy No. 2 above.)

~~8.~~ 9. For purposes of Act 907 of 1999, part-time employees of state agencies covered by the Teacher Retirement System will be classified as new members who are not under contract and will not make contributions. (See Policy No. 4 5 above.)

~~9.~~ 10. Any former active member who had been contributing on a maximum salary of \$7,800.00, who 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.~~ 11. 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.

~~11,12.~~ 12. For the first year if a member enters the System, ~~who~~ and is reported incorrectly by the employer for the first year as a noncontributory member, the System will accept the member the first year as a noncontributory member. The System shall notify the employer of the member's contributory status. Effective the next July 1, the member shall make contributions to the System. (Amended August 13, 2002.)

~~12.~~ 13. For the first year if a former member returns to the System as an active member after July 1, 1999, ~~who~~ and is reported incorrectly by the employer as a noncontributory member for the first year, the System will accept the member the first year as a noncontributory member. The System shall notify the employer of the member's contributory status. Effective the next July 1, the member shall make contributions to the System. (Amended August 13, 2002.)

RECIPROCITY
(Act 611 of 1975)
(A.C.A. §§ 24-2-401—408)

DEFINITIONS (Act 611 of 1975 as amended by Act 857 of 1997 most recently amended by Act 1022 of 2005)

1. **"Reciprocal system"** means the Arkansas Teacher Retirement System of Arkansas in operation June 30, 1957, and continued by statutes; Act 93 of 1957, as amended; or the Arkansas State Highway Employees' Retirement System, established by A.C.A. §24-5-103 Act 454 of 1949, as amended; or the Arkansas Public Employees' Retirement System established by A.C.A. § 24-4-103; Act 177 of 1957, as amended; or the Arkansas State Police Retirement System established by A.C.A. §24-6-203 Act 311 of 1951, as amended; or the Arkansas Judicial Retirement System established by A.C.A. §24-8-201; the Arkansas District Judge Retirement System established by A.C.A. §§24-8-801-- 824; the Arkansas Local Police and Fire Retirement System provided for under A.C.A. §24-10-101; or an alternate retirement plan for a public college or 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 Arkansas Teacher Retirement System of Arkansas, or the public employer whose employees are covered under the Arkansas State Highway Employees' Retirement System (A.C.A. §24-5-103), or the public employer whose employees are covered under the Arkansas Public Employees' Retirement System (A.C.A. §24-4-103), or the public employer whose employees are covered by the Arkansas State Police Retirement System (A.C.A. § 24-6-203), the Arkansas Judicial Retirement System (A.C.A. §24-8-201) or the Arkansas District Judge Retirement System (A.C.A. §§24-8-801—824). "State employer" also includes a public employer who is a college, university, or the Arkansas Department of Higher Education (A.C.A. §24-7-801 et seq.), or a vocational-technical school or the Division of Workforce Education (formerly the Division of Vocational and Technical Education (A.C.A. §24-7-901 et seq.).
3. **"Alternate retirement plans"** refers to the retirement plan(s) of a public college or university, or the 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.

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

1. Age and Service

- A. ~~He~~ The member has credited service acquired in the employ of the preceding state employer.
- B. ~~He~~ The member does not withdraw his or her contributions, or if ~~he has~~ the contributions are withdrawn, ~~he~~ the member repays the amount withdrawn, plus interest, while ~~he is~~ an active member of a reciprocal system.
- C. ~~He~~ The member qualifies for age and service retirement in the succeeding reciprocal system ~~by using his~~ through 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~~ the member for benefits in the preceding system.
- D. ~~His~~ The member's 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~~ the member's annuity begins the first day of the month next following the month ~~he filed his~~ the application was filed or after ~~his~~ attainment of age 60 years, whichever is later. However, should ~~he~~ the member have combined service of at least 25 years, the age limitation shall not apply. In no case shall ~~his~~ the deferred annuity begin prior to the date ~~he retires of~~ leaving from the employ of ~~his~~ the last state employer.
- F. If the Teacher Retirement System is the preceding system, the member is eligible to apply for benefits without leaving the employ of the last state employer upon reaching age 65. The member's annuity will begin the first day of the month next following the month the application was filed or after attainment of age 65, whichever is later. Only service credited and salaries earned prior to the ATRS effective date of benefits will be used in the ATRS benefit calculation.

2. Disability

- A. If ~~he~~ the member has five (5) or more years of combined creditable service in two (2) or more reciprocal systems, he/she is eligible to apply

for disability benefits from each reciprocal system in which he or she has credited service.

- B. Eligibility for disability benefits is determined under the rules and regulations of each respective system.
- C. ~~He~~ The member shall be eligible for a refund of ~~his~~ accumulated contributions plus interest, if any, from any reciprocal system in which he/she does not qualify for disability benefits. Such refund shall not alter ~~his~~ eligibility for benefits from any other reciprocal system.
- D. ~~His~~ The member's 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~~ the application for it was filed with the preceding system, but not prior to the date ~~he leaves~~ of leaving the employ of ~~his~~ the 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 becomes 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, the Arkansas District Judge Retirement System, and alternate retirement plans shall not be used in computing final average compensation.
3. The provisions of Policy No. 2 above shall not be applicable to a person who elects to contribute on a maximum salary of \$7,800.00 unless he or she ~~shall have changed~~ changes to full salary and ~~shall have paid~~ pays the difference between 6% of \$7,800.00 and 6% of full salary retroactive to July 1, 1969; provided, however, if a member who is making contributions only on the first \$7,800.00 of ~~his~~ the total annual salary receives a refund of ~~his~~ contributions and subsequently returns to covered service as a noncontributory member, ~~he~~ the member shall be considered on full salary for reporting purposes. However, ~~should he~~ the member wish to repay any refunds which include contributory service, he/she must pay the additional contributions due to change to full salary.

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. However, if a member elects to make this change, he or she must pay the additional employee and employer contributions plus interest due on any service reported between July 1, 1969, and June 30, 1986. (Interest will be calculated to July 1, 1986.)

4. A. 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.

B. If the Teacher Retirement System is the preceding system, the member is eligible to apply for benefits without leaving the employ of the last state employer upon reaching age 65. The member's annuity will begin the first day of the month next following the month the application was filed or after attainment of age 65, whichever is later. Only service credited and salaries earned prior to the ATRS effective date of benefits will be used in the ATRS benefit calculation.
5. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system earlier than age 60 unless ~~he~~ the member has 25 or more years of combined service.
6. No minimum benefits apply under Act 488 of 1965 [A.C.A. § 24-2-402(5)(E)], 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~~ than the percent of the deceased member's final pay or ~~as a~~ the 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 Employees 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~~ the benefits for service, both before and after ~~his~~ any 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~~ another reciprocal 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 the other reciprocal system is less than three (3) months, ATRS will credit service for the full year.
 - B. If credit by PERS the other reciprocal system 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 the other reciprocal system 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 the other reciprocal system 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 of 1999). He or she will not receive less than \$1,800.00 per year (contributory option) or \$1,128.00 (noncontributory option) or a proration 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 \$1,200.00 per year, if the member has only contributory service, or a proration of the two if the member has a combination of contributory and noncontributory service.
11. ~~Effective January 1, 1988, a~~ All purchases and payments paid with after-tax dollars shall be made in the following manner: according to rules pertaining to the minimum payments and payment methods contained in Policy No. 8-5-1 (Purchase Payments).

~~On amounts totaling less than \$300.00, a lump sum payment shall be required.~~

~~Purchases and payments totaling at least \$300.00, but less than \$1,000.00, may be made in five equal payments of at least 20% of the beginning balance.~~

~~Purchases and payments totaling \$1,000.00 or more may be made in ten (10) equal payments of at least 10% 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. §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.

Amended:

SALARY DETERMINATION FOR RETIREMENT SYSTEM PURPOSES

SEE ALSO 7-3-1 AND 7-4-1.

DEFINITIONS (Amended by Acts 460, 542, and 638 of 1995 and Act 146 of 2005.)

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 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. ~~When a member retires, however, 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.~~

2. **"Covered Salary"** means, ~~effective July 1, 2003, the portion or all of an employee's salary that is covered by the System~~ employees' regular and federal salaries for the current fiscal year plus supplemental salary payments received for the previous fiscal year(s), plus adjustments agreed upon by both the employer and the Teacher Retirement System. For each member who first became a member before July 1, 1971, the covered salary for each year after June 30, 1969, is the first \$7,800.00 of ~~this~~ the member's total annual salary for all covered employment (Salary Option 2) unless he/she 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, the covered salary is his or her full salary for all covered employment (Salary Option 1). If, however, a member making contributions only on the first \$7,800.00 of ~~his~~ total annual salary (Salary Option 2) receives a refund of ~~his~~ contributions and subsequently returns to covered service as a noncontributory member, he or she shall be considered on full salary for reporting purposes (Salary Option 1). ~~Should the member 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. A. **"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 3B and 3C below.

B. In computing retirement benefits, no salary paid in one (1) of the years that is utilized in the computation of the member's final average salary shall exceed one hundred ten percent (110%) of the salary earned in the year preceding that year used in the computation, 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.

C. i. Act 1288 of 2005 amended A.C.A. § 21-4-503 to allow state-supported institutions of higher education to compensate classified employees for unused sick leave upon retirement or death; however, compensation for accumulated unused sick leave shall not be used by Teacher Retirement System in calculating final average salary under A.C.A. §24-7-202(14).

ii. Act 971 of 2005 (A.C.A. § 21-4-505) authorizes state-supported two-year colleges to provide compensation to their employees (not limited to classified) for unused sick leave upon retirement or death. It also provided that the compensation for accumulated unused sick leave shall not be used by Teacher Retirement System in calculating final average salary under A.C.A. § 24-7-202(14).

3.4. "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 of 1999)

1. In determining "salary," employer pick-up contributions, cafeteria plans as defined in A.C.A. §21-5-901, and employee contributions to tax-sheltered annuities shall be included; 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 in lieu of remuneration and 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 or her salary to his the employer, the amount of his recurring remuneration otherwise usable 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 Policy No. 1 above.~~
6. ~~5.~~ The System will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in Policy Nos. 1-3 above. 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. ~~6.~~ If a member is making contributions to the System on a covered salary of \$7,800.00 rather than his full salary, 6% of his/her pay for each pay period must be withheld until withholding amounts to 6% of \$7,800.00 (\$468.00). Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.00.
7. A member who left covered employment before July 1, 1985, and who had annual compensation of \$7,800 or less, shall upon return to covered employment, have full salary considered for retirement purposes.
8. If an eligible employee of a government entity, as defined in Act 810 of 1987, (A.C.A. § 21-5-901—904) elects to participate in a cafeteria plan that meets the requirements of the Federal Internal Revenue Code, the amount that 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 and the employer shall remit the contributions to the System; 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 by~~ 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.

Amended: August 11, 1998

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 (1) 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.~~

5.4. 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).

6.5. 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).

6. One hundred twenty (120) days in a fiscal year is a year of service beginning July 1, 1971, to present.

7. 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.

7. Fractional Years of Service Policy:

8. 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	¼ year
60 - 89	½ year
90 - 119	¾ year
120 days or over	1 year

8. 9. (a) 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 four (4) hours or more a day, the total number of hours worked in a school year divided by four (4) will determine the number of days to be credited. To be credited, employees must be paid at least the minimum wage.

(b). 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.

~~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.~~

REPORTING EMPLOYEE (MEMBER) CONTRIBUTIONS

SEE ALSO 7-1-1 AND 7-4-1.

DEFINITIONS (Amended by Act 638 of 1995, Act 11 of 1999, and 146 of 2005)

- 1. "Salary"** means any 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 limitations on compensation for "eligible employees" shall not be less than the amount allowed under the System 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. 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, effective July 1, 2003, employees' regular and federal salaries for the current fiscal year plus supplemental salary payments received for the previous fiscal year, plus adjustments agreed upon by both the employer and the Teacher Retirement System. 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 the covered salary for each year after June 30, 1969, is the first \$7,800.00 of his the member's total annual salary for all covered employment (Salary Option 2) unless he/she 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, the covered salary is his or her full salary for all covered employment (Salary Option 1). If, however, a member making contributions only on the first \$7,800.00 of his total annual salary (Salary Option 2) receives a refund of his contributions and subsequently returns to covered service as a noncontributory member, he or she shall be considered on full salary for reporting purposes (Salary Option 1). 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 \$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. 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 of 1999)

1. ~~In determining "salary," employer pick-up contributions, cafeteria plans as defined in A.C.A. §21-5-901, and employee contributions to tax-sheltered annuities shall be included; 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 is in lieu of remuneration.~~
2. 1. 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. 2. 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~~ retirement, and the employer shall remit the contributions to the System, ~~provided, however, that~~ 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 ~~allowed to be taken into account under~~ by 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 the employee's salary to his the 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 Policy Nos. 1-3 above. 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 \$7,800.00 rather than his on full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800.00 (\$468.00). Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.00.~~
8. ~~A member who left covered employment before July 1, 1985, and who had annual compensation of \$7,800.00 or less, shall upon return to covered employment, have full salary considered for retirement purposes.~~
9. 3. 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)s (D-1 Regular Members; T-1 T-DROP Members)~~

Date Due: ~~For public schools, 15th day of the following month; for colleges and state agencies, 15 days after end of each pay period. Tenth (10th) calendar day following the end of each month. To avoid the late report penalties (see 7-4-4(7&8)), reports must be received by the 15th day of the month or must be postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.~~

~~D-2a (Quarterly Report)s (D2A Regular Members; T-DROP Members)~~

Date Due: ~~15 days of the following month after each calendar quarter. Tenth (10th) calendar day following the end of each quarter. Tenth (10th) calendar day following the end of each month. To avoid the late report penalties (see 7-4-6(7&8)), reports must be received by the 15th day of the month or must be postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.~~

40. 4. Each of the above reports must be on forms or magnetic electronic media that are either furnished by the Teacher Retirement System or approved by the System.

~~10. The employer's cost for the local school district with federal programs, institutions of higher learning and other state agencies, and nonprofit 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. 5. Overpayments or underpayments of member 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 was reported from the local level, no attempt will be made to collect the difference of this underpayment.~~

~~B. If 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 noncontributory 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 that fiscal year. ~~In no case will a member be given credit for service rendered until the contributions due are paid in full.~~ Service credit will be granted upon completion of contribution and applicable interest payments for that fiscal year.~~

~~D. Should an overpayment of member contributions occur as a result of a ~~member's~~ changing status from contributory to noncontributory, ~~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. 6. 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 that in no case shall a member be given credit for service rendered until any contributions and interest due from each are paid in full. Service credit will be granted upon completion of contribution and applicable interest payments for that fiscal year.~~

~~15-~~ 7. 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.

Amended: August 11, 1998

SETTING, REPORTING, AND PAYMENT OF EMPLOYER CONTRIBUTIONS
(Act 300 of 1993; Act 1194 of 1995; Act 142 of 1997; Act 865 of 1999; Act 340 of 2003; Act 992 of 2003; and Act 1968 of 2005)

SEE ALSO 7-1-1 AND 7-3-1.

The effective date for these rules changes will be July 1, 2004⁵ .:

DEFINITIONS

1. **"Covered salary"** means, effective July 1, 2003, employees' regular and federal salaries for the current fiscal year plus supplemental salary payments received for the previous fiscal year(s), plus adjustments agreed upon by both the employer and the Teacher Retirement System. For each member who first became a member before July 1, 1971, the covered salary for each year after June 30, 1969, is the first \$7,800.00 of the member's total annual salary for all covered employment (Salary Option 2) unless he/she has elected to make contributions to the System on full salary. For each member who first became a member after June 30, 1971, or has elected to make contributions on full salary, the covered salary is his or her full salary for all covered employment (Salary Option 1). If, however, a member making contributions only on the first \$7,800.00 of total annual salary (Salary Option 2) receives a refund of contributions and subsequently returns to covered service as a noncontributory member, he or she shall be considered on full salary for reporting purposes (Salary Option 1).
2. **"Participating employers"** means: local school districts, cooperative education services areas, vocational centers, the Department of Correction, open enrollment charter schools, all public postsecondary institutions, the educational components of certain state agencies covered by ATRS and instrumentalities, all public postsecondary institutions, or any educational nonprofit 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 FOR SETTING THE EMPLOYER CONTRIBUTION RATE

1. Effective July 1, 2003, the employer contribution rate shall be the rate established by the Board of Trustees of the Arkansas Teacher Retirement System prospectively for each year pursuant to ~~Act 340 of 2003~~ [A.C.A. §§24-2-701(c) and 24-7-401].
2. The rate shall be set by the Board following consultation with its actuary. In determining such rate, the Board shall consider the financial objectives set forth in A.C.A. §24-2-701(~~a~~) and §24-7-401 and shall base the rates on the

actuary's determination of the rate required to fund the plan in accordance with these financial objectives.

3. For the fiscal years ending June 30, 2006, and June 30, 2007, the Board shall establish employer rates prospectively each year.
 - A. Beginning July 1, 2003, through June 30, 2004, if the System's unfunded actuarial accrued liabilities exceed a thirty (30) year amortization period, the Board, based on the actuary's determination, may increase the contribution rate, but the increase shall be no more than one percent (1%) above the rate in effect on June 30, 2003.
 - B. Beginning July 1, 2004, the Board, based on the actuary's determination, may increase or decrease the contribution rate, but the rate shall not be increased by more than one percent (1%) above the rate in effect on June 30, 2004.
 - C. For the fiscal year ending June 30, 2006, the employer contribution rate shall not exceed fourteen percent (14%).
 - D. For the fiscal year ending June 30, 2007, the employer contribution rate shall not be increased by more than one percent (1%) above the rate in effect on June 30, 2006.
 - E. If the System's unfunded actuarial accrued liabilities no longer exceed a thirty (30) year amortization period, the Board shall reduce the contribution rate for the succeeding fiscal year based on the actuary's determination. If the costs of benefit commitments for service previously rendered are overfunded, the plan may deduct a level payment that, if deducted annually over a reasonable period of future years, will fully liquidate the overfunded portion of the costs.—

GUIDELINES FOR REMITTING EMPLOYER CONTRIBUTIONS

1. The Board of Trustees of the Arkansas Teacher Retirement System shall annually notify the local school districts, the Department of Education, and other employers of the employer contribution rate established by the Board for the upcoming fiscal year.
 - A. Beginning in 1995, Section 13 of Act 1194 of 1995 pursuant to A.C.A. §24-7-103, requires local school districts shall to pay the Teacher Retirement employment contribution rate for any eligible employees in accordance with these rules and regulations, established by the Board of Trustees of the Arkansas Teacher Retirement System.—
 - B. The Department of Education shall pay from the Public School Fund the teacher retirement employer contributions for eligible employees of certain employers as required by the department's biennial appropriations act and in accordance with these rules. Beginning with the 1996-97 school year, special language in the Department of Education's biennial appropriations for grants and aids to local school districts (the most recent being Section

7 30 of Act 51 2131 of 2005 of the First Extraordinary Session 2003) requires that the appropriation therein for Teacher Retirement matching each fiscal year be used to provide the employer matching for employees of the Cooperative Education Services Areas, Vocational Centers, Arkansas Easter Seals, and the school operated by the Department of Correction.

- C. ~~Pursuant to A.C.A. §24-7-401(e), all other participating employers' contributions are to be remitted to the System in such manner and form and in such frequency and shall be accompanied by such supporting data as the Board shall prescribe from time to time. Timely payment of the contributions is a condition of continuance of participation in the System. All other participating employers shall pay the teacher retirement employer contribution for eligible employees in accordance with these rules and regulations.~~
2. The annual employer contributions to be paid in each year by each participating employer shall be the current state contribution percent multiplied by the total covered salaries of the employer's members in the fiscal year.
 3. The contributions are to be remitted to the System in such manner and form and in such frequency and shall be accompanied by such supporting data as the Board shall prescribe from time to time. Timely payment of the contributions shall be a condition of continued participation in the System.
 - 2 4. In order that each member of the Teacher Retirement System may receive credit for days of service, covered salary, and contributions on a timely basis, each employer shall report employee and employer contributions to the System on the following schedule:

Monthly Remittance Reports (D-1 Regular Members; T-1 T-DROP Members)

Date Due: Tenth (10th) calendar day following the end of each month. To avoid the late report penalties (see 7-4-4(7&8)), reports must be received by the 15th day of the month or must be postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.

Quarterly Reports (D2A Regular Members; T-DROP Members)

Date Due: Tenth (10th) calendar day following the end of each quarter. Tenth (10th) calendar day following the end of each month. To avoid the late report penalties (see 7-4-4(7&8)) reports must be received by the 15th day of the month or must be postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.

Remittance forms will be furnished by the Teacher Retirement office.

5. ~~The participating employers' obligation in a fiscal year shall be the current year's regular and federal salaries times the employer contribution rate set by the Board.~~

Each of the above reports must be on forms or electronic media that are either furnished by the Teacher Retirement System or approved by the System.

6. For Cooperative Education Services Areas, Vocational Centers, Arkansas Easter Seals, and the school operated by the Department of Correction (paid by the Department of Education from the Public School Fund), the Teacher Retirement System shall certify to the Department of Education at the close of each quarterly report the amount of employer contributions due. The amount will be based on the current year's covered salaries.
7. The monthly remittance of employer contributions shall be due in the ATRS office by the tenth (10th) calendar day following the end of each month. Under Act 300 of 1993 (A.C.A. §24-7-411), a \$150.00 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15th day of the month or postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.
8. 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 local school districts and entities whose employer matching is paid from the Public School Fund and to the Treasurer of State the names of other employers who have failed to remit their monthly payment. Pursuant to A.C.A. §24-7-411, the amount of the payment plus the six percent (6%) penalty will be withheld from any monies due the employer from the Treasurer of State and the Department of Education as provided in A.C.A. §19-5-106(a)(5).
9. Supplemental salary payment reports will be accompanied by the employer contributions due (based upon the rate in effect the year payment was due).
10. Effective July 1, 2003, the Arkansas Teacher Retirement System shall return to the participating employers the employer matching remitted for members who rendered less than 30 days of service during the current fiscal year. Employer matching shall be returned within three (3) months after the close of the fiscal year.
- 10.11. The Arkansas Teacher Retirement System shall return to participating employers any amounts overpaid in employer matching due to, but not limited to, erroneous submission of payments, member's termination of employment, or incorrect reporting of Salary Option 2 (first \$7,800.00) member salaries. If an overpayment of employer matching of less than \$25.00 is reported from

the local level, no refund of this amount will be made to the employer, except upon written request from the employer.

12. The Arkansas Teacher Retirement System shall not collect from participating employers the underpayment of employer contributions of less than \$25.00.

13. 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 that in no case shall a member be given credit for service rendered until any contributions and interest due from each are paid in full. Service credit will be granted upon completion of contribution and applicable interest payments for that fiscal year.

14. 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.

~~40~~15. Provisions Concerning Employer Matching for Teacher Deferred Retirement Option Plan (T-DROP) Participants:

- A. The participating employers' T-DROP employer matching obligation, pursuant to Act 992 of 2003 (A.C.A. §24-7-1303), in a fiscal year shall be the current year's regular and federal salaries beginning September 1, 2003, times the employer rate as listed below.
- i. For members whose effective date in T-DROP is before September 1, 2003, the employer contribution rate to the Arkansas Teacher Retirement System on behalf of all members in the T-DROP shall be at the rate of:
- One percent (1%) for the period from September 1, 2003, through June 30, 2005
 - Three percent (3%) for the period from July 1, 2005, through June 30, 2007
 - Six percent (6%) for the period from July 1, 2007, through June 30, 2009
 - Nine percent (9%) for the period from July 1, 2009, through June 30, 2011
 - Twelve Percent (12%) after July 1, 2011
- ii. For members whose effective date in T-DROP is on or after September 1, 2003, the employer contribution rate on behalf of

members in the T-DROP shall continue at the rate established by the Board of Trustees of the Arkansas Teacher Retirement System.

- B. Until and on August 31, 2003, employer contributions on behalf of the members participating in the T-DROP may be retained by the school district.
- C. Except for employer contributions to the Arkansas Teacher Retirement System beginning September 1, 2003, the school district shall not make contributions to any tax-qualified retirement plan on behalf of any employee participating in the T-DROP.

Amended: June 17, 2003
April 6, 2004
Reaffirmed: June 15, 2004

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 3%, compounded annually, after the first year of contributions. The rate of interest credited on and after June 30, 1984, is 6%, 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 (1/2) his contributions for the year ending on June 30 by 3% 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 to 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.

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” – 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.

POLICIES

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 ~~regular~~ 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. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Policy No. 8-5-1 (Purchase Payments).
6. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Policy No. 8-4-1 (Acceptance of Rollovers).
7. All rules pertaining to the minimum payments and payment methods are contained in the Policy No. 8-5-1 (Purchase Payments).

Adopted: June 15, 2004

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

DEFINITION (Amended by Act 142 of 1997)

“Out-of-state service” - 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.

POLICIES (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 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. 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.

- 6. If payment is not made in a single payment at the time ~~the contract to~~ of purchase is made, 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.
- 7. 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 Arkansas 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 Policy No. 8-6-1 (Cancellation of Purchase Service Accounts).
- 8. 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.
- 9. 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.
- 10. Effective July 1, 1986, all purchased out-of-state service shall be counted as contributory service.
- 11. 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.
- 12. Beginning July 1, 1991, an active member may purchase service rendered outside the state during a period of employment with an education coordinating council.
- 13. 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. §24-7-601 and §24-7-603.

14. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Policy No. 8-5-1 (Purchase Payments).
15. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Policy No. 8-4-1 (Acceptance of Rollovers).
16. All rules pertaining to the minimum payments and payment methods are contained in Policy No. 8-5-1 (Purchase Payments).

Amended: February 3, 2004
June 15, 2004

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 certificates. (A.C.A. §24-7-607(a)).

ATRS will recognize as "private school service" full-time service rendered in any private school or agency which 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 certificates.

POLICIES (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; and 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.

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.
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; however, due to IRS regulations, purchase account payments made through employer pick-up are subject to the restrictions as stated in Policy No. 8-6-1 (Cancellation of Purchase Service Accounts).
4. 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 of all methods of calculation. (Act 385 of 2005)
45. 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).
56. 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.
67. All private school service shall be counted as contributory. Purchased private school service shall be credited to the year in which it was rendered.
78. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Policy No. 8-5-1 (Purchase Payments).
89. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Policy No. 8-4-1 (Acceptance of Rollovers).

Amended: February 3, 2004
June 15, 2004

DISABILITY RETIREMENT (A.C.A. §24-7-704)

DEFINITIONS

1. ~~“Deferred Provision”~~— Disability protection continues for deferred members, provided the applicant's physician presents medical information to substantiate approval by the Medical Board that disability occurred while last employed in a position covered by the System.
2. ~~“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.
3. ~~“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.
4. ~~“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.
5. ~~“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.
6. ~~“Minimum Benefits”*~~— A disability retiree with ten (10) or more years of Arkansas service shall not receive less than \$1,800.00 per year (contributory option) or \$1,128.00 (noncontributory option). After July 1, 1997, a disability retiree with five (5) or more years of Arkansas service shall not receive less than \$1,200.00 per year (contributory option) or \$768.00 per year (noncontributory option). (Amended by Act 1053 of 1997.)

POLICIES (Unless otherwise noted, these policies apply to Active, Deferred, and Reciprocal Members).

1. A. Upon the written application by a member, or upon written application by his/her employing authority on behalf of the member, filed with the Board of Trustees System, a an active 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/her position covered by the Teacher Retirement System, as a result of a personal injury or disease, may be retired by the Board of Trustees.

B. The member must have been an active member of this System or a reciprocal system when the disability occurred. Active membership continues beyond the fiscal year in which credited service is rendered provided the employing institution certifies continued employment. Leave of absence with pay, upon which the member makes contributions, also continues active membership. Disability protection continues for deferred members, provided the applicant's physician presents medical information to substantiate approval by the Medical Board that disability occurred while last employed in a position covered by the System.

2. Disability benefits shall be granted ~~provided that~~, after a medical examination of said member is made by or under the direction of the Medical Board, and the Medical Board reports by majority opinion in writing to the Board of Trustees, that such member is:

- A. Physically or mentally totally incapacitated for the further performance of duty,
- B. That such incapacity will probably be permanent, and
- C. That such member should be retired, or
- D. That such member should be retired under temporary disability retirement to be reconsidered at a specified time.

2. 3. Such disability retirement shall be effective the first day of the month following the later of:

- A. for an active member, his/her termination of active membership. 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 employment is 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; or
- B. for a deferred member, no more than six months prior to the date written application is filed with the Board System. The date of application for age and service retirement benefits may be used as the date of application for disability benefits; or
- C. for a reciprocal member, see No. 9 below.

4. Should the application for disability retirement benefits be denied, the date of application for disability retirement benefits may be used as the date of application for age and service retirement benefits.
5. In the case of an active member who has made application for disability retirement and dies before receipt of the first retirement check, determination must be made by the System, on an individual basis, as to whether survivor benefits or disability benefits would be payable.
3. 6. The annuity formula for computing disability retirement benefits is the same as for age and service retirement.
4. 7.A. ~~Effective July 1, 2001, an An~~ active member who has not attained normal retirement age (65) must terminate employment to be eligible for disability retirement.
- B. A member shall not be considered terminated from employment for retirement purposes if the person returns to a position that would otherwise be covered by ATRS within thirty (30) days of the person's effective date of retirement.
- C. A person failing to meet the termination of employment requirements shall forfeit retirement benefits until the requirements are met.
5. 8. A. The Board of Trustees may require any disability retirant who has not attained age 60 to undergo a medical 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.
- B. If the retirant refuses to submit to the medical examination, his/her disability annuity may be suspended by the Board until the withdrawal of his/her refusal.
- C. If his/her refusal continues for one (1) year, all his or her rights in and to a disability annuity may be revoked by the Board.
- D. If, upon the medical examination of the retirant, the Medical Board reports to the ATRS board that the retirant is physically and mentally able and capable or resuming his/her duties in the position held by him or her at the time of disability retirement, then his or her disability retirement shall terminate.

~~6. If a disability retirant under age 60 becomes employed as a full-time employee by a public employer whose employees are covered by a retirement plan supported wholly or in part by state contributions, his/her disability retirement shall terminate. His/her credited service and accumulated contributions at the time of disability retirement shall be restored to his/her credit in the Member's Deposit Account, and the person 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). See Policy No. 10-2-1 (Conditions Under Which a Retirant May Return to Covered Service Other Than by Rescinding Retirement).~~

7. 9 Reciprocal Service

See Policy 6-2-1 (Reciprocity; 2. Disability on 6-2-2).

~~A. If a member has five (5) or more years of creditable service in two or more reciprocal systems, he/she 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. The member shall be eligible for a refund of his/her accumulated contributions plus interest, if any, from any reciprocal system in which he/she does not qualify for disability benefits. Such refund shall not alter his/her eligibility for benefits from any other reciprocal system.~~

~~D. The member's annuity for disability retirement payable by the preceding system shall begin the first day of the calendar month next following the month his/her application was filed for same with the preceding system but not prior to the date he/she leaves the employ of his/her last state employer.~~

8. 10 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.

9. ~~The Board of Trustees may require any disability retirant who has not attained age 60 to undergo a medical examination. If the retirant refuses to submit to the medical examination, his/her disability annuity may be suspended by the Board until the withdrawal of the refusal.~~

10. 11. If a member is approved for disability retirement but continues to work, he/she must terminate employment at by the end of the school fiscal year in which approved. 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.

- ~~11. If a disability retirant returns to full-time employment and receives credited service but dies before completing 120 days of creditable service, a determination must be made as to whether survivor or disability benefits will be payable.~~
12. 12. 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.
- ~~13. Disability protection continues for deferred members with 27 years of service if deferred status was effective before July 1, 1971 (Deferred provision under old law).~~
14. 13. An active or a reciprocal member of the System or a reciprocal system who applies for disability retirement is eligible to repay any refunded service provided the member repays to the System the amount withdrawn, plus interest, from the date of withdrawal to the date of final payment. See Policy No. 8-3-1 (Repayment of Refunds).
15. 14. An active or a reciprocal member of the System or a reciprocal 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 Policy No. 8-9-1 (Back Contributions).
16. 15. An active member of the System or a reciprocal system who applies for disability retirement is eligible to file proof of military service provided he completes the requirements established for military service. See Policy No. 8-7-1 (Free Military Service) and Policy No. 8-12-1 (Purchase of Military Service).
16. Return to employment – see Policy 10-2-1 (Conditions Under Which A Retirant May Return To Covered Service.....Disability Retirant on 10-2-4).

Amended: June 15, 2004

EARLY RETIREMENT

(Amended by Act 282 of 1995; Act 282 of 1995; Acts 992, 1074 of 1997;
Act 1521 of 1999; Acts 461 and 1300 of 2001; Act 385 of 2005)
(A.C.A. §24-7-702)

1. ~~A.~~ Early retirement with a reduction in the benefit formula allows ~~an active or inactive members~~ who ~~hasve~~ at least 25 years of credited service but who ~~hasve~~ not attained age 60 to retire early on a reduced annuity. Upon the active or inactive member's retirement as provided in A.C.A. §24-7-702(b), the member shall receive, in lieu of any other system benefit, an early annuity which shall be a certain percent of an annuity provided for in A.C.A. §24-7-705. The percent shall be one hundred percent (100%) reduced by five-twelfths percent (5/12%) multiplied by the number of months by which time of early retirement precedes the earlier of either completion of twenty-eight (28) years of credited service or attainment of age sixty (60).
- ~~B.2.~~ For active members, benefits are effective the first day of the calendar month next following the latest of one month after the receipt of the application for retirement, the member's termination of active membership, or the member's completion of the required credited service.
- ~~2. A.~~ ~~Early retirement allows an inactive member who has 25 or more years of credited service but who has not attained age 60 to retire early with a percentage reduction to produce a reduced annuity.~~
- ~~B.3.~~ For inactive members, the effective date of benefits is the first day of the month following the date the member's application for retirement is received in the Teacher Retirement office.
- ~~3. The reduction percentage is the lesser of the member's age to 60 or his/her years of credited service to 28.~~
4. A. Effective July 1, 2001, a member who has not attained normal retirement age (65) must terminate covered employment to be eligible for early retirement.

B. A member shall not be considered to be terminated from employment for retirement purposes if the person returns to a position that would otherwise be covered by ATRS within thirty (30) days of the person's effective date of retirement.

C. A person failing to meet these termination of employment requirements shall forfeit retirement benefits until the requirements are met.
5. 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.

Amended: June 15, 2004

ERROR CORRECTIONS AND COLLECTION OF OVERPAYMENTS

Act 427 of 1973 and Act 1026 of 2005

(A.C.A. § 24-7-205)

DEFINITION

“Receivable” as used in this section means monies due the Arkansas Teacher Retirement System from a member, former member, contributor, former contributor, retirant, beneficiary, or alternate payee under a qualified domestic relations order as a result of an overpayment made to which the person is not entitled.

1. Should any change or error in the records result in any person’s receiving from the System more or less than he or she would have been entitled to receive had the records been correct, the Board of Trustees, or its designee(s), shall correct the error and, as far as practicable, shall adjust the benefit, annuity, or refund payable to the person, his or her beneficiary, or his or her estate, in such manner that the actuarial equivalent of the benefit to which the person was correctly entitled shall be paid.
2. If a member, former member, contributor, former contributor, retirant, beneficiary, or alternate payee under a qualified domestic relations order pursuant to A.C.A. §§ 9-18-101—9-18-103, is paid any benefit or payment by the System to which the person is not entitled, a receivable is created and the Board of Trustees, or its designee(s), may:
 - A. Withhold the amount due from any benefit or payment due the person, the person’s beneficiary, or estate and use the withheld amounts to effect repayment until the total amount withheld equals all receivables owed by the person to the System; or
 - B. Collect the amount in any other manner provided by law.
 - C. Prior to making an adjustment of benefits or pursuing any other collection action under this section, a notice shall be provided to the appropriate person. The notice will state the amount determined to be a receivable and the reasons underlying such determination. The notice may also suggest alternate methods for payment of the receivable.
 - i. If a benefit adjustment is proposed, the notice describing such adjustment will be provided to the person who will receive the adjustment or other appropriate person. The notice will also describe the process for appealing the determination of the amount of the receivable and/or the proposed adjustment.

ii. If another collection action under this section is proposed, the notice will be provided to the appropriate person. The notice shall describe the process for appealing the determination of the amount of the receivable.

iii. Appeals will be made to the Executive Director, then to the Board.

D. The Board or its designee(s) may waive adjustment or repayment if:

i. The overpayment was not the result of the retirant's or the beneficiary's nondisclosure, fraud, misrepresentation, or other fault; and

ii. The Board's designee finds in his or her sole discretion that recovery of the overpayment could be a manifest injustice.

E. A receivable under this section that is found by the Board or its designee(s) to be uncollectible or for which adjustment or payment has been waived pursuant to No. 2D above will be submitted to the Chief Fiscal Officer of the State for abatement pursuant to A.C.A. § 19-2-301 – 307.

CONDITIONS UNDER WHICH A RETIRANT MAY RETURN TO COVERED SERVICE OTHER THAN BY RESCINDING RETIREMENT

(Amended by Act 1293 of 1995; Act 384 of 1997; Act 30 of 1999; Act 1146 of 2001; and Act 911 of 2005)
(A.C.A. §24-7-708)

AGE AND SERVICE RETIRANT

1. Except for a waiver provided in accordance with Act 30 of 1999 and Act 1146 of 2001, as amended by Act 911 of 2005, if a retirant returns to service - as an employee of a public employer whose employees are covered by ATRS¹ - without rescinding his/her retirement under Act 39 of 1989 (A.C.A. §24-7-717), then, for each twelve-month period ending June 30, the amount of his/her System annuity shall be subject to the limitations equivalent to twice the limitations imposed by the Social Security retirement test. The amount a retirant may earn and still collect full benefits depends upon whether he/she has reached "full retirement age (FRA)" as defined in P.L. 106-182.
 - A. Effective for years ending after December 31, 1999, pursuant to P.L. 106-182, which eliminated the Social Security retirement earnings test in and after the month a person attains "full retirement age (FRA)," a retirant reaching full retirement age may return to service without being subject to the earnings limitations. "Full retirement age (FRA)" will gradually increase from age 65 to age 67.²
 - B. Effective July 1, 1992, a retirant ~~that~~ who is under age 65 may earn up to twice the Social Security earnings limitation amount without affecting his/her ATRS benefits. If his/her ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$2 earned above the earnings limitation amount.
 - C. For each year ending June 30, the Social Security retirement test to be considered shall be the test in effect for the calendar year beginning the January 1 immediately preceding June 30. The retirant's earnings shall be his or her remuneration for the employment for the year ending June 30.

¹ (Prior to July 1, 1991, the earnings limitation applied to retirants who were

- employees with ATRS, ASHERS, or ASERS from 7-1-71 through 6-30-77;
- employees with a public employer, whose employers are covered by a state-supported retirement plan or the University of Arkansas from 7-1-77 through 6-30-78;
- employees of a public employer whose employees are covered by a retirement plan supported wholly or in part by state contributions from 7-1-78 through 6-30-91.)
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² Previously, a retirant aged 65 to 69 could earn up to twice the Social Security amount without affecting his/her ATRS benefits. If his/her ATRS covered earnings exceeded that amount, \$1 in benefits was to be deducted for each \$3 earned above the earnings limitation amount.

~~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.~~

D. The System will suspend payment of benefits for those retirants exceeding the earnings limitation in the fiscal year following the one in which the earnings limitation is exceeded unless the retirant has directed ATRS on the Statement of Employment Form to reduce benefits within the same fiscal year the earnings limitation is exceeded. Payment of benefits will be suspended until the System recovers the amount of benefits which exceeded the earnings limit. (See Policy No. 9-6-1 (Error Corrections and Collection of Overpayments)).

2. A. Employers and retirants must report immediately, upon acceptance of employment in a ~~regular or special~~ position covered by ATRS, a return to covered employment by a retirant. A Statement of Employment form must be completed immediately by employers and retirants upon acceptance of employment for each retirant hired in a position covered by ATRS.
 - B. Employers will report semiannually all retirants who have returned to full or part-time employment in an ATRS covered position and who have not rescinded their retirement. The semiannual report will be filed on a Retired Member Returned To Service form, which will be furnished by ATRS.
 - C. In the event that both the employee and ~~his~~ the 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. A. Effective July 1, 1977, a retirant may receive remuneration as an employee from any private employer or as a member of the General Assembly without any effect on his/her annuity.³
 - B. Effective July 1, 1991, an age and service retiree may be employed by a public employer whose employees are not covered by ATRS without any effect on his/her annuity.
4. During any period of employment in a position covered by the System (which is not covered by Act 39 of 1989) [A.C.A. § 24-7-717(a)--(e) Rescission of Termination], an age and service retiree shall not accrue additional service

³ (From 7-1-71 through 6-30-77 this "exemption" covered employees receiving remuneration "from any other public employer or private employer.")

credit, nor shall he/she contribute to in the Arkansas Teacher Retirement System.

~~A.C.A. §24-7-708(e), which has not changed since July 1, 1971, reads: "During any period of employment, a retirant shall not accrue additional credited service Act 39 of 1989 [§24-7-717(d)(1)] states "Upon rescission, a former retirant shall be considered an active member and shall accrue additional credited service." See Policy No. 10-1-1 (Retirants Return to Service by Rescinding Retirement).~~

5. A. Effective July 1, 1995, Act 1293 of 1995 provided that 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 No. 1 above.
- B. 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 No.1 above.

WAIVER OF EARNINGS LIMITATION

1. A. In accordance with Act 30 of 1999 and Act 1146 of 2001 as amended by Act 911 of 2005 and ~~with in accordance~~ with 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 subjecting annuities to the ATRS earnings limitation.
- B. All requests for waiver must originate with ADE and must be submitted for approval by ATRS within sixty (60) days of employment. If approved, the waiver shall be effective for one (1) year from the date of approval with the option to renew annually for up to a total of three (3) years as requested by ADE. ~~The waiver may be reviewed for consideration annually by the ATRS Executive Director upon request by ADE.~~ Renewals must also be approved by the Executive Director of ATRS.
2. A. Effective July 1, 2005, ~~July 1, 2004,~~ under Act 4446 911 of 20045, the ATRS Executive Director is authorized to take appropriate action on waivers of the ATRS earnings limitations requested by the Department of Education if under the following conditions: the retiree is hired by the appropriate entity a public school district due to a shortage of certified teachers in a critical academic area in which the retiree is certified; ~~or,~~
 - ii. ~~The retiree is hired by a school district that qualifies as a school district in academic distress as defined in A.C.A. §6-20-1602.~~
3. B. Critical academic areas in which there is a shortage of certified teachers shall be determined annually by the State Department of Education.

~~C. The waiver of the earnings limitations shall be for one (1) year, with the option of renewal, provided the same conditions for granting the original waiver still exist;~~

~~4. D. Employers shall maintain audit files identifying personnel granted a waiver and documenting the reasons for the waiver and will be responsible for reporting to ATRS, all retirees who have returned to employment under these provisions. (Act 1146 of 2001).~~

~~5. Beginning July 1, 2005, for any retired member employed in a position covered by the System pursuant to a waiver, the employer and employee contribution to the system on behalf of the member shall recommence at the rate in effect at the time of the employment and shall be remitted by the employer. Provided, however, if the retired member was in noncontributory status at the the time of retirement, the member will return to work under a waiver in the same status and no employee contribution shall be required.~~

DISABILITY RETIRANT

~~Under the provisions of the Teacher Retirement law, a disability retiree is permitted, should he or she 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 age and service or disability as the case might be.~~

Disability Retiree Employed Full-Time

- ~~1. 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 the retiree from the disability payroll. It is the responsibility of the employee and employing agency to report such employment to the retirement office immediately. The employing agency will report salary and service as described in ATRS Policy 10-2-2 (2.A. and B.) Unless the retiree was a member of the noncontributory plan, it is also the responsibility of the employing agency to withhold 6% of applicable salary- employee contributions.~~
- ~~2. 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 the retiree can then again make application for disability or age and service retirement, and his the benefits will be recomputed based on the additional year or years of service credit.~~
- ~~3. 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.~~

4. If a disability retirant under age 60 becomes employed as a full-time employee by a public employer whose employees are covered by a retirement plan supported wholly or in part by state contributions his/her disability retirement shall terminate. His/her credited service and accumulated contributions at the time of disability retirement shall be restored to his/her credit in the Member's Deposit Account, and the person shall immediately again become a member of the System, if eligible.

5. If a disability retirant returns to full-time employment and receives credited service but dies before completing 120 days of creditable service, a determination must be made by the System as to whether survivor or disability benefits will be payable.

Disability Retiree Employed Part-Time

1. Part-time employment is defined as a disability retiree working less than 480 hours in a fiscal year.

2. A disability retiree employed part-time will be subject to the same earnings limitation policy as age and service retirees (see above); however, a waiver of the earnings limitation is not available for disability retirees. ~~Part time employment is defined as a member working less than 480 hours in a fiscal year.~~

3. A disability retiree shall not be permitted to purchase or establish service credit when employed in a part-time position.

4. A disability retiree shall not be given service credit during the time in which he/she receives a disability annuity (Act 541 of 1977).

Amended: June 15, 2004

**TEACHER DEFERRED
RETIREMENT OPTION PLAN (T-DROP)**

(Act 1096 of 1995)

(Amended by Acts 118, 927 and 953 of 1997; Acts 1590 and 991 of 2003, and
Act 188 of 2005)

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. **"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 2005-06 fiscal year.
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 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 the T-DROP date will be the later of:
 - A. The first day of the second month following the Board of Trustees' determination of his/her 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 or she would have been entitled had ~~he~~ the member actually retired on the T-DROP date, as determined by No. 4 above, but without applying the earnings limitation set out in A.C.A. §24-7-708. Effective July 1, 2003, the T-Drop benefit will not include the benefits provided in A.C.A. §24-7-713(b) (\$75.00 stipend).
6. A member who elects participation in the T-DROP may elect one (1) of the annuity options provided in A.C.A. §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 A.C.A. §24-7-706.
7. T-DROP ~~contributions~~ 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 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~~ when a participant whose effective date in the T-Drop is before September 1, 2003, reaches normal retirement age, the plan ~~contributions~~ deposits shall be 100% with no reduction.
 - iii. For any member 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 ~~contributions~~ deposits for the years of service above thirty (30) years shall be reduced under Nos. 7A and 7B.
 - iv. For any member whose effective date in the T-Drop is September 1, 2003, or after, the plan ~~contributions~~ deposits for a participant who

reaches normal retirement age shall continue as reduced under Nos. 7A and 7B.

D. “**Effective date**” means the date determined to be the member’s Teacher Deferred Retirement Option Plan date under the policies, rules, and regulations of the Board of Trustees of the Arkansas Teacher Retirement System.

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~~ the T-DROP contributions deposits made on behalf of the member and the plan interest shall be deposited accumulated. At the end of each fiscal year, the member's T-DROP account shall be credited with T-DROP plan interest on the mean balance in the account for the fiscal year. Upon completion of ten (10) years of participation, the monthly deposits and accrued interest shall cease. No more than ten (10) years of interest shall be credited to any participant’s T-Drop account. Upon application for retirement, the T-Drop benefits will be based on the account balance at the end of the tenth year.
10. T-Drop participants shall receive the cost-of-living increase provided for in A.C.A. §24-7-713(a). 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 A.C.A. §24-7-704, A.C.A. §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.
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 A.C.A. §24-7-709 related to disposition of residue, T-DROP contributions shall be considered annuity payments. any amounts 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 that, except for the provisions of A.C.A. §24-7-1306(b), would have been paid under A.C.A. §24-7-709.

15. 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.
16. At the time the member actually separates from service and is granted a monthly retirement benefit, participation in the T-DROP shall cease.
17. 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 under the regular retirement plan as a result of electing to participate in the T-DROP.
18. 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 lifetime monthly benefit amount.
19. 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.
20. A T-DROP member who entered the T-DROP plan 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. A T-DROP member entering the T-DROP plan July 1, 2001, or later will not receive the benefit provided in A.C.A. § 24-7-713(b) (\$75.00 stipend) over and above the regular annuity upon retirement unless he or she has at least five (5) years of credited service in the Arkansas Teacher Retirement System.
- ~~20-21.~~ Following participation in the T-DROP, no participant shall be eligible to receive service credit under any Arkansas state-supported retirement system.
- ~~21~~ 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.
- ~~22~~ 23. If a member separates from service 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 account for the duration of the separation. Upon returning to service 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.

24. A. If a T-Drop participant leaves service with a school to serve, on a voluntary or involuntary basis, in the uniformed services of the United States and returns to service with a school, the member shall be treated as not having incurred a break in service with the employer. The employer shall certify to the System 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 of 1994.
- B. 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.

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.

Approved: June 13, 1995
Amended: July 30, 1997
June 17, 2003
February 15, 2005

LOST PAYEES
A.C.A. §24-7-734
Act 385 of 2005

1. Each member of the Teacher Retirement System, as well as each beneficiary of a deceased member, is responsible for filing with the Board of the Teacher Retirement System from time to time in writing the post office address and each change of post office address of the member or beneficiary.
2. Any communication addressed to a member or beneficiary at the last address filed with the Board or the System or, if no address has been filed, the last address indicated on the records of the employer of the member or the beneficiary shall be binding on the member or beneficiary for all purposes of ATRS. Neither the Board nor the System is obligated to search for or ascertain the whereabouts of any member or beneficiary.
3. If the Teacher Retirement System is unable within five (5) years after payment of a benefit is due to locate a member, beneficiary, or personal representative by mailing to the last known address, and neither the member, the beneficiary, nor the personal representative has made written claim therefor supplying a current address before the expiration of five years, the amount shall be forfeited to the trust assets of the Arkansas Teacher Retirement System.
4. The amount of the benefit, however, shall be reinstated if the member, beneficiary, or personal representative makes a valid claim upon presentation of proper identification.
5. If any provision of A.C.A. §24-7-734, as amended by Act 385 of 2005, conflicts with a provision of the Arkansas Unclaimed Property Act (A.C.A. §18-28-201 et seq.) the provision in A.C.A. §24-7-734 supersedes the conflicting provision of the Arkansas Unclaimed Property Act.

**PROTECTION OF “QUALIFIED TRUST” STATUS OF ATRS
UNDER INTERNAL REVENUE CODE § 401(a)**

DEFINITION (A.C.A. § 24-7-202(16)) (Act 71 of 2005)

“Internal Revenue Code” or “Code” as used in these policies, rules, and regulations means the federal Internal Revenue Code of 1986, as amended, as it existed on January 1, 2005.

POLICIES (A.C.A. § 24-7-210)

1. The Executive Director of the Arkansas Teacher Retirement System is authorized and directed to operate the Teacher Retirement System and interpret any provisions of A.C.A. § 24-7-101 et seq. and these policies, rules, and regulations consistent with the requirements under the federal Internal Revenue Code and applicable United States Treasury regulations necessary to permit the system to be operated as a “qualified trust” under section 401(a) of the Code.
2. Policies, rules, and regulations promulgated by the Board shall be consistent with these directions.
3. Any policies, rules, or regulations found to be in conflict with an applicable provision of the Code are void.

Adopted: