

**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)

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 years.
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 T-DROP date will be the later of:
 - A. The first day of the second month following the Board of Trustees' determination of his eligibility to participate, or
 - B. The date requested by the member on the application.
5. The member's T-DROP benefit will be the monthly straight life annuity benefit to which he would have been entitled had he actually retired on the T-DROP date, as determined by No. 4 above, but without applying the earnings limitation set out in Arkansas Code Section §24-7-708. The T-Drop benefit will not include the benefits provided in Arkansas Code Section §24-7-713(b).
6. A member who elects participation in the T-DROP may elect one (1) of the annuity options provided in Arkansas Code §24-7-706. The election shall be made at the time the member separates from service and is granted a monthly retirement benefit. The beneficiary or beneficiaries shall be chosen in accordance with Arkansas Code Section §24-7-706.
7. T-DROP contributions shall be a percentage of the T-DROP benefit, as follows:
 - A. 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. When a participant whose effective date in the T-Drop is before September 1, 2003, reaches normal retirement age, the plan contributions 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 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 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 ½ of 1% for each month the member lacks having in the T-DROP to having thirty (30) years of credited service, will be applied.
 9. The member's T-DROP account shall be the account into which his T-DROP contributions shall be deposited. At the end of each fiscal year, the member's T-DROP account shall be credited with T-DROP 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 Arkansas Code Section §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 Arkansas Code Section §24-7-704, Arkansas Code Section §24-7-701 shall apply, and no disability benefits shall become payable.
 13. During the period of T-DROP participation, no member shall receive service credit under any state-supported retirement system.
 14. In the event a T-DROP participant dies, the benefits payable from the T-DROP shall be determined according to A.C.A. §§24-7-710(b)(1), (b)(1)(A), and (b)(1)(B). However, the T-DROP participant's surviving spouse may choose to receive the T-DROP benefit in a lump sum without affecting options on the monthly retirement benefit payable from the Arkansas Teacher Retirement System.
 15. For the purposes of Arkansas Code Section §24-7-709, T-DROP contributions shall be considered annuity payments.
 16. As soon as possible after the end of each fiscal year of participation in the T-DROP, the participant shall be furnished an annual statement of the account.
 17. At the time the member actually separates from service and is granted a monthly retirement benefit, participation in the T-DROP shall cease.

18. When the member's participation in the T-DROP ceases, the member may elect to receive the balance in the T-DROP account as a lump sum or in a monthly benefit paid according to the annuity option elected by the member at the time he elects to receive monthly benefits. This amount shall be in addition to the monthly benefit to which the member became entitled under the regular retirement plan as a result of electing to participate in the T-DROP.
19. If the member elects to receive the balance in the T-DROP account as a monthly benefit, a factor approved by the Board of Trustees shall be used to determine the conversion of the T-DROP balance to a lifetime monthly benefit amount.
20. When participation in the T-DROP ceases, the member shall receive regular monthly benefit amounts in the same manner as if the member had retired on the T-DROP date.
21. Following participation in the T-DROP, no participant shall be eligible to receive service credit under any Arkansas state-supported retirement system.
22. The T-DROP is intended to operate in accordance with Section 415 and other applicable sections of the United States Internal Revenue Code. Any provision of the T-DROP found to be in conflict with an applicable provision of the Internal Revenue Code shall be declared null and void.
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 re-employment was in accordance with the requirements set forth in Section 4312 of P.L.103-353, the Uniformed Services Employment and Re-employment 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