

# ARKANSAS TEACHER RETIREMENT SYSTEM BOARD OF TRUSTEES

**Minutes**  
**June 15, 2004**

The Board of Trustees of the Arkansas Teacher Retirement System held a regular meeting on Tuesday, June 15, 2004, in the Board Room of the Arkansas Teacher Retirement System Building at 1400 West Third Street in Little Rock, Arkansas.

## **Members of the Board Present:**

Linda Parsons, Chair  
John Fortenberry, Vice Chair  
Bunny Adcock  
Monty Betts  
Winfred Clardy  
Hazel Coleman  
Charles Dyer  
Dr. Paul Fair  
Betty McGuire  
Robin Nichols  
Ellen Terry  
Jim Wood (arrived late)

## **Others Present:**

Lori Crosley, EnnisKnupp  
Steve Cummings, EnnisKnupp  
Linda Riley, ARTA  
Robert Horton, Smith Barney  
Wesley Brown, Arkansas News Bureau  
Mike Wickline, *Arkansas Democrat-Gazette*  
Jim McGuire, Trustee Spouse  
Evelyn Nelson, CCRTA  
Maureen Billingsley, AEA

## **Members of the Board Absent:**

Dr. Ken James  
Gus Wingfield

## **Staff Present:**

David Malone, Director  
Julie Cabe, Deputy Director  
Wayne Greathouse  
George Synder  
Gail Bolden  
Bernice Smith  
Michael Ray  
Carolyn Abbott  
Donna Hobbs  
Hugh Roberts

## **I. Call to Order**

Board Chair Linda Parsons called the meeting to order at 8:40 a.m. with a quorum present.

II. Adoption of Agenda

Mr. Malone requested two additions to the agenda as mailed. In connection with the request for approval of construction and sale agreement for the Chenal Heights Nursing Center, he presented a draft of the contract to accompany Resolution No. 2004-8 and a new item, Resolution No. 2004-8A, approving an agreement to manage the construction of the nursing home. He reported that neither of these items was available when the agenda was assembled. Robin Nichols moved adoption of the agenda with these two additions, John Fortenberry seconded, and the Board unanimously approved the motion.

III. Public Comments on the Agenda

No public comments on the agenda were made.

IV. Approval of Minutes

John Fortenberry moved approval of the minutes of April 5, 2004, Ellen Terry seconded, and the Board unanimously concurred.

Ellen Terry moved approval of the minutes of April 6, 2004, with a correction to Resolution No. 2004-13 in paragraph four where the percentage should be 29.1 percent instead of 6 percent. Hazel Coleman seconded the motion, and the Board unanimously concurred.

Paul Fair moved approval of the minutes of May 5, 2004, Mr. Fortenberry seconded, and the motion passed unanimously.

V. Report of the Investment Committee

The draft minutes of the committee meeting held on May 17 were reviewed for information, and the approval of the investment guidelines for Capital Guardian Trust Company (**Resolution No. 2004-15 - Attachment No. 1**) was recommended by the committee. Mr. Fortenberry moved approval of the resolution, Ms. McGuire seconded, and the Board unanimously adopted the resolution.

VI. Other Investment Issues

A. Hazel Coleman moved approval of **Resolution No. 2004-16 – Attachment No. 2**) granting the Executive Director authority to execute contracts for real estate management for the following properties:

<u>Property</u>	<u>Management Company</u>
Arkansas Insurance Department	Irwin Saviers Ballard Mgt. Co.
ATRS Building	Irwin Saviers Ballard Mgt. Co.
OSCE (formerly Arkla) Building	Irwin Saviers Ballard Mgt. Co.
Harvest Foods Building	Irwin Saviers Ballard Mgt. Co.
Bentonville-Gentry	Hathaway Group, Inc.

The contracts will be for three years or until the properties are sold, whichever is earlier.

- B. Charles Dyer moved approval of the State Street Bank and Trust Company Custody Fee Proposal (**Resolution No. 2004-17 – Attachment No. 3**) for the three-year period July 1, 2004-June 30, 2007. Dr. Fair seconded the motion, which was unanimously approved by the Board.
- C. Chenal Heights Nursing Center
1. Charles Dyer moved adoption of **Resolution No. 2004-18 – Attachment No. 4**) authorizing the agreement among ATRS, ATRS Retirement Properties, LLC, and Care Management LLC for the construction and purchase of a 112-bed skilled care nursing home facility on property now owned by ATRS on Chenal Valley Drive in Little Rock. Winifred Clardy seconded the motion, which was unanimously adopted by the Board.
  2. Mr. Dyer moved approval of a contract between ATRS Retirement Properties, LLC and CDI Contractors, LLC for construction management of the nursing home facility on Chenal Valley Drive (**Resolution No. 2004-18A – Attachment No. 5**). Ms. Nichols seconded the motion, and the Board unanimously concurred.
  3. Mr. Dyer moved authorization for a contract with CDI for the construction of a city street in connection with the construction and sale of the three-acre tract for the skilled nursing home facility on Chenal Valley Drive (**Resolution No. 2004-19 – Attachment No. 6**). Ms. McGuire seconded the motion, and the Board unanimously concurred.
- D. EnnisKnupp Performance Report

Lori Crosley and Steve Cummings presented the performance report for the period ending April 30, 2004. In total funds, the System is up

1.6 percent in 2004 and 15.2 percent since June 30, 2003, relative to the benchmark, which was up only 13.5 percent.

## VII. Policies Committee Report

As committee chair, Dr. Fair reviewed the draft minutes of the May 17 meeting of the Policies Committee for the information of the Board and presented the following recommendations concerning policy amendments for Board approval:

- A. Ms. Nichols moved adoption of **Resolution No. 2004-20 – Attachment No. 7**, which implements 2001 legislative changes and makes technical changes in policies concerning membership, age and service retirement, disability retirement, early retirement, survivor benefits, death benefit, and alternate plans, and Ms. McGuire seconded the motion. The Board unanimously approved the motion.
- B. Mr. Fortenberry moved adoption of **Resolution No. 2004-21 – Attachment No. 8**, which implements 2001 legislative changes and makes technical changes in policies concerning retirants return to service by rescinding retirement and conditions under which a retirant may return to service without rescinding retirement. Ms. Coleman seconded the motion, and the resolution was unanimously adopted by the Board.
- C. Dr. Fair moved approval of **Resolution No. 2004-22 – Attachment No. 9**, which authorizes changes in policies concerning the purchase of service credit, payment of refunds, and acceptance of rollovers, to be effective July 1, 2004, and Ms. Nichols seconded the motion. After discussion, the Board approved the motion on the following vote:
- Voting Yes: Mr. Adcock, Mr. Clardy, Ms. Coleman, Dr. Fair, Mr. Fortenberry, Ms. McGuire, Ms. Nichols, Ms. Parsons, and Mr. Wood
- Voting No: Mr. Betts, Mr. Dyer, and Ms. Terry
- D. Mr. Fortenberry moved adoption of **Resolution No. 2004-23 – Attachment No. 10** to reaffirm the Board's adoption on April 6, 2004, of the amended policy on setting, reporting, and payment of employer contributions for Cooperative Education Service Areas, Vocational Centers, Arkansas Easter Seals, and the school operated by the Department of Correction, effective July 1, 2004. Mr. Betts seconded the motion, which was unanimously approved by the Board.

VIII. Legislative Committee Report

The Board reviewed the draft minutes of the May 17 meeting of the Legislative Committee for information. At the meeting Betty McGuire was elected committee chair, and Winfred Clardy was elected vice chair.

IX. Mr. Malone presented information on the 2004 elections to the Board resulting in the following:

Reelection of Ms. Parsons in the Second Congressional District to a term expiring June 30, 2010

Reelection of Mr. Fair, Retirant Trustee, with no opposition, to a term expiring June 30, 2010

Election of Mr. Lawrence Colston to fill the unexpired term in the Third Congressional District expiring June 30, 2007

Ms. Coleman moved acceptance of the report, Mr. Fortenberry seconded, and the Board unanimously approved the motion.

X. Comments of the Executive Director

Mr. Malone reviewed for the Board the list of the contractual agreements of ATRS for the biennium. Concerning the T-Drop issue, he reported that the Rose Law Firm had provided a legal opinion that one must retire in order to draw retirement benefits from ATRS. Ms. Parsons asked about the possibility of a T-Drop participant becoming a noncontributory member, and Mr. Malone responded that ATRS did not have the staff for handling this solution, and the feedback he had received was that T-Drop participants were not very interested in that proposal.

Mr. Malone told the Board of a number of steps taken to increase due diligence regarding scrutiny of the ATRS portfolio and to protect the Board from fiduciary liability. The security law firm of Bernstein Litowitz has been hired and has been very efficient in reviewing the portfolio. To keep as well informed as possible, ATRS has joined the Council for Institutional Investors, a group of large state pension funds, which provides useful information on what firms are doing in corporate governance, executive compensation, and proxies, as well as NASRA (National Association of State Retirement Administrators), which also provides a lot of helpful information. He said that over the next several years, the whole area of proxies would be studied to develop proxy policies for the managers to follow in voting proxies on behalf of ATRS.

XI. ATRS Staff Reports

- A. Michael Ray presented the medical reports for April 21 and May 19, 2004, and Ms. Nichols moved acceptance of the report. Ms. McGuire seconded the motion, which passed.
- B. Donna Hobbs presented the personnel report and recognized new employee Judy Brown, Accounting Supervisor I, who began employment on May 24, 2004. Carolyn Abbott, who will temporarily fill the position of Preretirement Education Manager upon the retirement of Barbara Waldrop, was also recognized.

Mr. Malone presented **Resolution No. 24 – Attachment No. 11**, which would increase the Executive Director's salary to the line item maximum of \$127,600 for 2004-2005, effective July 1, 2004. Under Board policy, the salary of the Executive Director must be approved by the Board of Trustees, even though line item maximums have been approved by the legislature for the biennium. Ms. Coleman moved approval of the resolution and acceptance of the personnel report, Dr. Fair seconded, and the Board unanimously approved the motion.

Dr. Fair presented a motion to recognize the long and exemplary service of Bernice Smith, Accounting Manager, who has worked at ATRS for 36 years, and Barbara Waldrop, Preretirement Education Manager, an ATRS employee for 23 years, both of whom retire on June 18, 2004. Mr. Fortenberry seconded the motion, which received unanimous approval.

- C. After the report on the activities of the Preretirement Department, Ms. McGuire asked that ATRS encourage new employees in the system to seek in-depth discussions in their first three years of employment on the necessity for retirement planning and services of ATRS. Mr. Malone said that ATRS would explore what could be done in this respect.
- D. No other staff reports required action.

XII. At 11:00 a.m. the Board entered into an executive session for the discussion of personnel matters. At 11:25 a.m., the Board resumed meeting in regular session. No action was taken as a result of the executive session.

XIII. Discussion of Board Evaluation Report

During the discussion, Board members recognized the importance of evaluating themselves but expressed some unhappiness with the form used for evaluation. Ms. Coleman moved that the evaluation instrument be returned to the Policies Committee for improvement. Mr. Fortenberry seconded the motion, which received unanimous approval from the Board.

XIV. Adjournment

The Board Chair adjourned the meeting at 11:40 a.m.

\_\_\_\_\_  
Katherine Corcoran, Recorder

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Linda Parsons, Board Chair

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David Malone, Executive Director

\_\_\_\_\_  
Date Approved

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-15**

**RESOLVED** that the Arkansas Teacher Retirement System desires to establish investment guidelines for Capital Guardian Trust Company. The attached guidelines were developed by the system's consultant, Ennis Knupp and Associates, and reviewed and approved by the staff of ATRS.

**FURTHER RESOLVED** that the above-mentioned guidelines shall be effective on the date of funding and remain in force until new guidelines are recommended by the system's consultant and approved by the Board of Trustees of the Arkansas Teacher Retirement System.

**FURTHER RESOLVED** that the Board of Trustees of the Arkansas Teacher Retirement System approves the proposed guidelines for Capital Guardian Trust Company.

Adopted this 15<sup>th</sup>.day of June 2004

\_\_\_\_\_  
LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

INVESTMENT GUIDELINES FOR  
CAPITAL GUARDIAN TRUST COMPANY FOR THE  
ARKANSAS TEACHER RETIREMENT SYSTEM (ATRS)

~~(Adopted April 1, 2004)~~

June 15, 2004

These investment guidelines extend the "Statement of Investment Policy for the Arkansas Teacher Retirement System" as amended and revised.

Investment managers appointed to execute the policy will invest pension assets in accordance with the assigned investment guidelines, but apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits, to (1) select individual securities, (2) make decisions as to the allocation to cash equivalents and (3) diversify pension assets.

**STRATEGY**

The Manager's objective is to produce superior long-term investment results with reduced volatility by constructing a diversified portfolio through a bottom-up stock selection process.

**BENCHMARK**

The portfolio will be benchmarked to the Russell 1000 Growth Index.

**RISK CONTROL**

- **Prohibitions or Limitations**
  - The Manager intends to achieve its objective by investing primarily in securities that at the time of purchase exhibit one or more "growth" characteristics relative to the S&P 500 Index. The "growth" characteristics include securities exceeding the market (rate of growth) in at least one of the following categories: earnings, unit sales, revenue or cash flow.
  - Securities eligible for investment include but are not limited to, equities listed on a stock exchange or traded in another recognized market, common and preferred stocks, ADRs and other U.S. dollar denominated foreign securities, GDRs, participation notes, rule 144A securities, convertible securities, rights, warrants, Real Estate Investment Trusts (REITs), private placements (only those for which a public market exists) as well as cash and cash equivalents as necessary
  - Instruments acquired as a result of corporate actions are permitted.
  - The use of futures, leverage and short selling of stocks are prohibited.
  - The portfolio may not hold, at the time of purchase, more than 5% of the issued capital of a company.

- **Requirements**

- The portfolio generally will be fully invested in equity and equity-related securities. The normal cash level, including cash equivalents, will be 5% of assets or less except during temporary transitional periods including contributions and withdrawals.

**PERFORMANCE EXPECTATION**

The portfolio's return is expected to exceed the return of the Russell 1000 Growth Index over a full market cycle (approximately 5 years), net of fees and expenses.

**PROXY VOTING**

The Trustees authorize the manager to vote all proxies related to stocks in which it invests pension assets. The Trustees expect the manager to cast votes solely in the best interest of plan beneficiaries. In addition, the manager will report annually to the Trustees on its proxy-voting policies and activities on the System's behalf.

**TRANSACTION COSTS**

In its capacity as a plan fiduciary, the Manager is expected to manage the transaction costs it incurs on the System's behalf in the best interests of System beneficiaries. The Manager will report to the Trustees on the transaction costs incurred and the brokers used on the System's behalf on a quarterly and annual basis as described in the soft dollar policy outlined in the Statement of Investment Policy.

**FEE SCHEDULE**

ATRS shall pay Manager a fee to be computed as follows, and in accordance with the Fee Schedule attached to the Agreement.

For each calendar quarter during which this Agreement is in effect, Manager shall be paid for its services hereunder during such calendar quarter an amount equal to one quarter of the following percentages of the Fair Market Value of the Assets managed by Manager hereunder:

50 Basis points (.50%) on the first	\$ 25 million (U.S.);
35 Basis points (.35%) on the next	\$ 25 million (U.S.);
22.5 Basis points (0.225%) on assets over	\$ 50 million (U.S.).

In accordance with the fee aggregation and fee discount policies disclosed on the Fee Schedule, and given ATRS' overall relationship with the Manager as of the effective date of this Agreement, the first \$10 million in Assets would be charged .50% and the balance would be charged .225%. Any applicable fee discounts would then be applied to these fees.

Fair Market Value shall mean the fair market value as computed by ATRS' custodian and shall include any accruals calculated.

All fees are calculated on Fair Market Value as of the final business day of the calendar quarter, except that any contributions or withdrawals during any calendar quarter shall be added to or deleted from the Fair Market Value of the assets as of the date of such contribution or withdrawal, and the fee shall then be calculated on a pro rata basis.

**CAPITAL GUARDIAN TRUST COMPANY**

Approved By: \_\_\_\_\_  
Name: Kevin A. Dickson  
Title: Vice President  
Date: May 13, 2004

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
No. 2004-16

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System grants the Executive Director authority to execute contracts for real estate management services for properties as set forth below.

**Property**

Arkansas Insurance Department  
ATRS Building  
OSCE (formerly Arkla) Building  
Harvest Foods Building  
Bentonville-Gentry

**Management Company**

Irwin Saviers Ballard Mgt. Company  
Hathaway Group, Inc.

***FURTHER RESOLVED*** that contracts are to be for three years or until the property is sold, whichever is earlier.

Adopted this 15<sup>th</sup> day of June 2004

\_\_\_\_\_  
LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-17**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System grants the Executive Director the authority to approve the State Street Bank and Trust Company Custody Fee Proposal for the three-year period July 1, 2004-June 30, 2007.

Adopted this 15<sup>th</sup> day of June 2004

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**LINDA PARSONS**, *Chair*  
Arkansas Teacher Retirement System

# ENNISKNUPP

## MEMORANDUM

**To:** Trustees and Staff of the  
**Arkansas Teacher Retirement System**

**From:** Patrick J. Kelly, CFA  
Paul Kirby

**Date:** May 27, 2004

**Re:** **State Street Custody Fee Proposal**

### Summary

State Street Bank and Trust Company has recently submitted a custody fee proposal to the Arkansas Teacher Retirement System (ATRS) for the three-year period of July 1, 2004, through June 30, 2007. The proposal results in an annual fee that is approximately \$100,000 less than that charged under the current fee schedule for the three-year contract period ending June 30, 2004. EnnisKnupp has reviewed this proposal, and in general, find the change to be net neutral to the ATRS cost structure, and therefore do not object to the proposed fee change.

### Overview

The proposed fee schedule by State Street Bank includes an annual flat fee of \$500,000 for the custody of domestic and international assets, an amount \$100,000 less than the existing fee schedule. The underlying assumptions set in the annual flat fee, however, have changed in response to the changing makeup of the ATRS investment manager\*lineup. These changes will result in an extra \$10,000 of charges relating to 2 active domestic funds above the 10 assumed in the proposed fee schedule. The per-portfolio charges for any accounts above the assumed number have not changed.

Other changes to the proposed fee schedule relate to international sub-custodian trading charges. The proposed fee schedule includes 1,800 fewer trades across two distinct groups of countries. In the event that the Fund's international equity managers trade up to the limit prescribed by the existing fee schedule in select countries, the result would be \$78,000 in additional international transaction costs.

Charges for out of pocket expenses, on-line services, performance measurement & analytics, attribution, universe comparisons, and investment performance review have not changed. The Fund will incur lower charges for attribution and universe comparisons due to the reduction in the number of domestic investment managers since the inception of the current agreement.

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**

**No. 2004-18**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System approves the agreement among ATRS, ATRS Retirement Properties, LLC and Care Management, LLC entitled "Construction and Sale Agreement: Chenal Heights Nursing Center" for the governance of the construction and sale of a 112-bed skilled care nursing home facility on property on Chenal Valley Drive.

***FURTHER RESOLVED*** that the Board of Trustees authorizes the Executive Director to execute the agreement.

Adopted this 15<sup>th</sup> day of June 2004

\_\_\_\_\_  
LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, AR 72201

**RESOLUTION**  
**No. 2004-18A**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System approves the agreement between ATRS Retirement Properties, LLC and CDI Contractors, LLC for construction management of a 112-bed skilled care nursing home facility on property on Chenal Valley Drive.

***FURTHER RESOLVED*** that the Board of Trustees authorizes and ratifies the execution of the agreement by the Executive Director.

Adopted this 15<sup>th</sup> day of June 2004

\_\_\_\_\_  
LINDA PARSONS, Chair  
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-19**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System authorizes the Executive Director to enter into a contract with CDI for the construction and development of a city street in connection with the construction and sale of a three-acre tract for a skilled care nursing home facility on property on Chenal Valley Drive.

Adopted this 15<sup>th</sup> day of June 2004

\_\_\_\_\_  
LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
No. 2004-20

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System adopts the amended policies to implement 2001 legislative changes and to make technical changes concerning Membership, Age and Service Retirement, Disability Retirement, Early Retirement, Survivor Benefits, Death Benefit, and Alternate Plans as presented in Attachment No.10 of this agenda binder, to be effective ten days after filing.

***FURTHER RESOLVED*** that the Executive Director of ATRS or his designee is authorized to promulgate and implement these amendments.

***FURTHER RESOLVED*** that in promulgating these amendments, the Executive Director of ATRS or his designee is authorized to make technical corrections when necessary.

Adopted this 15<sup>th</sup> day of June 2004

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LINDA PARSONS, *Char*  
Arkansas Teacher Retirement System

**MEMBERSHIP****POLICIES**

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

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

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

3. Effective July 1, 1997, under certain conditions, membership in the Teacher Retirement System shall include employment in an enterprise privatized by a public school district. If a public school district should privatize any of its services, any individual who is or was employed by the school district in one of those services and who is or has been a member of ATRS may elect to remain a member provided the Board of Trustees determines by adopting rules and regulations that participation of these employees in the system will not in any way impair any legal status of the system, including, but not limited

to, its status as a governmental plan, or have a substantial adverse impact on the actuarial soundness of the system. In addition, the private provider must assume all responsibility for the required employer contributions and any fees for obtaining IRS rulings or ERISA opinions. (Amended by Act 1064 of 1997) See "Privatized Employers and Nonprofit Corporations Requesting Entry into the Arkansas Teacher Retirement System."

4. Effective July 1, 1997, under certain conditions, membership in the Teacher Retirement System shall include employment in positions with educational nonprofit corporations, provided the nonprofit corporation has elected to participate in the Arkansas Teacher Retirement System and the Board of Trustees determines by adopting rules and regulations that participation of these employees in the system will not in any way impair any legal status of the system, including, but not limited to, its status as a governmental plan, its tax-qualified status under the Internal Revenue Code, or would subject the plan to additional federal requirements, or have a substantial adverse impact on the actuarial soundness of the system. Such employment shall be related to the training of public school employees or school board members, teaching public school students, or in adult education programs. The employment shall not be related in any manner to private schools. Each educational nonprofit corporation shall be approved according to rules and regulations established by the Board of Trustees to be considered an employer, and such nonprofit corporation assumes all responsibility for the required employer contributions and any fees for obtaining IRS rulings or ERISA opinions. (Amended by Act 1064 of 1997; Act 865 of 1999)
  - a) All employees of a new ATRS employer must participate in the Arkansas Teacher Retirement System as a condition of their employment.
  - b) Employees of a new ATRS employer will enter the system as a non-contributory member, and be allowed one (1) year from the date the new employer is approved by the Board of Trustees to make an irrevocable choice to participate in either the contributory or non-contributory plan.
  - c) Employees of a new employer who want to purchase their previous service with the new employer may do so in accordance with the policies pertaining to the purchase of prior service. Service with other Arkansas educational nonprofit corporations not covered by ATRS may be purchased in accordance with the policies pertaining to the purchase of private school service.
  - d) A retiree who is working for a new ATRS employer on the date the employer is approved by the Board of trustees, may continue employment with the employer and not be subject to the ATRS earnings limitation.

5. Effective July 1, 2001, those employees whose non-teaching service began before July 1, 1989, and whose non-teaching service is covered or coverable by the Public Employees Retirement System may elect to be covered by the Arkansas Teacher Retirement System. The election shall be made prior to May 31<sup>st</sup> on the form provided by the System and shall be effective the following July 1. (Act 742 of 2001)

**Amended: 2001**

**AGE AND SERVICE (VOLUNTARY) RETIREMENT**

**1. ELIGIBILITY/QUALIFICATIONS** (Amended by Acts 281 and 282 of 1995; Acts 992 and 1053 of 1997; Act 461 of 2001) (A.C.A. § 24-7-701)

a) ~~4. Effective July 1, 1998, any active member who attains age 60 and has 5 or more years of credited actual service may voluntarily retire upon written application filed with the Board of Trustees. Benefits are effective the first day of the calendar month next following one month after the receipt of the application for retirement.~~

b) 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.

c) ~~2. Effective April 1, 1997, any active or inactive member who has 28 or more years of credited service but has not attained age 60 years may voluntarily retire without reduction in benefits upon his written application filed with the Board.~~

- i) ~~For active members, said annuity shall begin under the same provisions as stated in Item 1 above: the first day of the calendar month next following the latest of: (A) one month after the date the written application is filed with the board; (B) the member's termination of active membership; (C) the member's attainment of the minimum age; or (D) the member's completion of the minimum years of credited service.~~
- ii) ~~For inactive members, said annuity shall begin the first of the month following the date of application.~~

~~3. Effective April 1, 1997, any inactive member who has 28 or more years of credited service may also voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin the first of the month following the date of application.~~

~~4. An inactive member with 25 or more years of credited service may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the lesser of the member's age to 60 or his years of credited service to 28. Said annuity shall begin the first of the month following the date the application is received.~~

~~5. Any active member who has 25 or more years of credited service but has not attained age 60 may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the same as stated in Item 4.~~

d) Effective July 1, 2001

- (i) A member who has not attained normal retirement age (65) must terminate covered employment to be eligible for retirement.
- (ii) 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.
- (iii) A person failing to meet these termination of employment requirements shall forfeit retirement benefits until the requirements are met.

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

7. (f) 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.

(g) ~~Authorization of the use of postmark date as the official date of a transaction:~~ The official postmark date may be used as the official date of a transaction when the use of the mails is the usual and customary method of communication for handling such transactions.

(h) The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement under the provisions of the law.

(i) A member may cancel his application for retirement benefits any time prior to thirty (30) days after the later of: the effective date of benefits; or the ~~signing of the Final Retirement Contract receipt of the first retirement check~~. The member shall notify the Teacher Retirement System of such cancellation in writing within the 30-day period, and he shall again become eligible for active membership in the system. This shall be in effect for the 1993-94 fiscal year and thereafter.

(j) ~~Terminal~~ Leave earned prior to the date of termination of employment does not change the date of termination, although a lump sum payment is made subsequent to the date of termination. The key to termination is the date the employee actually goes off the payroll.

## **2. BENEFITS**

### **a) Benefits Formula (Amended by Act 992 of 1997; Act 396/99)**

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

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

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

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

~~2.Errors or changes not affecting computation of benefits~~ Effective July 1, 1971, if additional Teacher Retirement contributions are remitted by an employer for any retirant, and the additional salary does not result in an annual increase or decrease in benefits of at least \$5.00, ~~we will transfer the contributions~~ will be transferred from the Members' Deposit Account to the Employer's Accumulation Account without making any change in the records in the member's folder. These transfers will be made annually or as deemed necessary. If the additional salary does increase or decrease the retirant's benefits at least \$5.00 annually, ~~we will recompute benefits~~ the benefits will be recomputed and ~~make the necessary changes~~ will be made in the member's records.

~~12.~~ A retirant whose final average salary for annuity purposes was \$7800 may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary. Additional employer contributions for that period shall not be

due from the retirant. However, if a retirant elects to make this change, he must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986. When all contributions due have been paid, the monthly annuity for the retirant shall be recalculated, using the actual salary earned, and the increase in the annuity shall be effective the first of the month following the payment of all contributions due.

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

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

**c) Fractional Years of Service Credit**

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

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

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

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

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

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

**d) Built-in Cost of Living Increase**

1. Beginning July 1, 1983, and each year thereafter, all retirees who have been on the rolls 12 months or longer shall receive a 3% increase. This increase will be added each year as long as they remain on the benefit payrolls (Act 400/99). (A.C.A. §24-7-713)
2. Act 404 of 1999 grants the ATRS Board of Trustees authority to compound the cost-of-living adjustment when actuarially appropriate. (A.C.A. §24-7-727)

**e) Additional Benefit** (Act 400/99; Acts 360 & 742/01; Act 853/03) (A.C.A. §24-7-713(b)(2)).

Members with five (5) or more years of credited service with ATRS retiring after July 1, 1999, and their survivors and beneficiaries, shall receive an additional benefit of ~~\$50.00~~ \$75.00 per month over and above their regular annuity. The ATRS Board may authorize raising the additional benefit to an amount not to exceed ~~\$125~~ \$200 per month.

**f) Suspension of Benefits** (Act 29/99)

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

**g) 5. Benefits are payable through the month in which the retiree's death occurs.**

~~6. Annuity Options: Before the date the first payment of an annuity becomes due, but not thereafter, except as provided under item 7, a member retiring on age and service or disability may elect to receive his annuity provided in one of the following options:~~

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

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

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

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

~~*Option C:* He may elect a reduced annuity payable throughout his life with the provision that if he dies before he has received 120 monthly annuity payments, the~~

payments will be continued for the remainder of the period of 120 months and paid to each person or persons, in equal shares, as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If such designated beneficiary or beneficiaries predecease the retirant, the retirant may nominate a successor beneficiary or beneficiaries by written designation duly executed and filed with the Board. If no such designated beneficiary survives him, the retiree may elect Option 1 – Straight Life Annuity (Act 395/99).

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

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

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

8. Effective February 7, 1991, the designated beneficiary of a retiree who chose Option 1 (straight life annuity) may elect to cancel the form of annuity in effect and elect Option A – 100% Survivor Annuity upon the death of a retirant on or after July 1, 1989, if the retirant died within one year following the effective date of retirement and the retirant was receiving a straight life annuity. Such election to change may be made only once and must be on a form approved by the system. The election form must be received by the system within thirty (30) days after the effective date of Act 51 of 1991, or within thirty (30) days of the death of the retiree, whichever is later. Such election change shall become effective the first day of the month following receipt of the election form by the system.

9A. A retirant who retired on or after July 1, 1994, may elect to cancel his election made at retirement for receiving an annuity and elect another option, provided:

- a) It is done within one (1) year from July 1, 1995, or within one (1) year of retirement;
- b) It is filed with the system on a new election form approved by the system; and
- c) The system is repaid the difference between the amount of the annuity received when the individual retired and the new annuity is due as a result of the election change, plus six percent (6%) interest from July 1, 1994 or the date of retirement,

~~whichever is later, to the date of payment in full. The difference shall be calculated retroactive to July 1, 1994, or the date of retirement, whichever is later, to the date of payment in full. The difference shall be calculated retroactive to July 1, 1994, or the date of retirement, whichever is later. The election change can only be made once and shall be effective retroactive to the effective date of the annuity.~~

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

~~10. Authorization of the use of postmark date as the official date of a transaction: The postmark date may be used as the official date of a transaction when the use of the mails is the usual and customary method of communication for handling such transactions.~~

~~11. The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement under the provisions of the law.~~

~~12. A retirant whose final average salary for annuity purposes was \$7800 may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary. Additional employer contributions for that period shall not be due from the retirant. However, if a retirant elects to make this change, he must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986. When all contributions due have been paid, the monthly annuity for the retirant shall be recalculated, using the actual salary earned, and the increase in the annuity shall be effective the first of the month following the payment of all contributions due.~~

**6.h) Annuity Options**

Before the date the first payment of an annuity becomes due, but not thereafter, except as provided under item 7, a member retiring on age and service or disability may elect to receive his annuity provided in one of the following options:

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

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

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

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

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

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

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

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

8. Effective February 7, 1991, the designated beneficiary of a retiree who chose Option 1 (straight life annuity) may elect to cancel the form of annuity in effect and elect Option A - 100% Survivor Annuity upon the death of a retirant on or after July 1, 1989, if the retirant died within one year following the effective date of retirement and the retirant was receiving a straight life annuity. Such election to change may be made only once and must be on a form approved by the system. The election form must be received by the system within thirty (30) days after the effective date of Act 51 of 1991, or within thirty (30) days of the death of the retiree, whichever is later. Such election change shall become effective the first day of the month following receipt of the election form by the system.

9. A retirant who retired on or after July 1, 1994, may elect to cancel his election made at retirement for receiving an annuity and elect another option, provided:

- a) It is done within one (1) year from July 1, 1995, or within one (1) year of retirement;
- b) It is filed with the system on a new election form approved by the system; and

c) The system is repaid the difference between the amount of the annuity received when the individual retired and the new annuity is due as a result of the election change, plus six percent (6%) interest from July 1, 1994 or the date of retirement, whichever is later, to the date of payment in full. The difference shall be calculated retroactive to July 1 1994, or the date of retirement, whichever is later, to the date of payment in full. The difference shall be calculated retroactive to July 1, 1994, or the date of retirement, whichever is later. The election change can only be made once and shall be effective retroactive to the effective date of the annuity.

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

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

~~1. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay upon which the member is making contributions also continues active membership.~~

~~2. Errors or changes not affecting computation of benefits—Effective July 1, 1971, if additional Teacher Retirement contributions are remitted by an employer for any retirant, and the additional salary does not result in an annual increase or decrease of at least \$5.00, we will transfer the contributions from the Members Deposit Account to the Employer's Accumulation Account without making any change in the records in the member's folder. These transfers will be made annually or as deemed necessary. If the additional salary does increase or decrease the retirant's benefits at least \$5.00 annually, we will recompute benefits and make the necessary changes in the member's records.~~

~~3. A member may cancel his application for retirement benefits any time prior to thirty (30) days after the later of: the effective date of benefits; or the signing of the Final Retirement Contract. The member shall notify the Teacher Retirement System of such cancellation in writing within the 30-day period, and he shall again become eligible for active membership in the system. This shall be in effect for the 1993-94 fiscal year and thereafter.~~

~~4. Terminal leave earned prior to the date of termination of employment does not change the date of termination, although a lump sum payment is made subsequent to the date of termination. The key to termination is the date the employee actually goes off the payroll.~~

~~5. Benefits are payable through the month in which the retirant's death occurs.~~

## POLICIES

1. 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, a member in employer service who has five (5) or more years of credited service, and who has become or becomes totally and permanently physically or mentally incapacitated to perform the duties of his/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, provided, that after a medical examination of said member made by or under the direction of the Medical Board, the Medical Board reports by majority opinion in writing to the Board of Trustees, ~~which~~ 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. Such disability retirement shall be effective the first day of the month following the later of: his/her termination of active membership; or six months prior to the date written application is filed with the Board.
3. The annuity formula for computing disability retirement benefits is the same as for age and service retirement.
  - a. Effective July 1, 2001, 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.
4. 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 his/her withdrawal of his/her refusal.

- c. If his/her refusal continues for 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.
5. If a disability retirant under age 60 becomes employed as a full time employee by an employer whose employees are covered by a ~~State supported system or the University of Arkansas 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 his disability retirement shall be restored to his/her credit in the members deposit account, and ~~he~~ 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 policies under "CONDITIONS UNDER WHICH A RETIRANT MAY RETURN TO COVERED SERVICE OTHER THAN BY RESCINDING HIS RETIREMENT".
6. (Reciprocal service)
- 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) ~~He~~ 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) ~~His~~ 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 ~~he/she~~ filed his application for same with the preceding system but not prior to the date ~~he/she~~ leaves the employ of his/~~her~~ last State employer.
7. 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.
8. 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 his/her withdrawal of his/her refusal.

9. If a member is approved for disability retirement but continues to work, he/she must terminate employment at the end of the school year. If service is not terminated at that time, a new application must be submitted and Medical Board approval must be given based on the new application.
10. If a disability retirant returns to full-time employment and receives credited service but dies before he completes 120 days of creditable service, a determination must be made as to whether survivor or disability benefits will be payable.
11. 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.
12. 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) -
13. (~~Refunded service~~)– An active member of the System who applies for disability retirement is eligible to repay any refunded service, provided that the member repays to the System the amount withdrawn, plus interest, from the date of withdrawal to the date of final payment. (See repayment of refund section).
14. (~~Back Contributions~~)– An active member of the System who applies for disability retirement is eligible to pay contributions, and employer costs, plus interest, on service rendered in a covered position after July 1, 1937, on which no applicable contributions and employer costs have been paid and on which no service has been credited, provided he completes all requirements. (See Back Contributions section)
15. (~~Military service~~)– An active member of the system who applies for disability retirement is eligible to file proof of military service provided he completes the requirements established for military service. (See Military Service section)

**DISABILITY RETIREMENT**  
**A.C.A. 24-7-704**

**DEFINITIONS**

1. (Deferred Provision) - Disability protection continues for deferred members, provided applicant's physician can present medical information to substantiate approval by the Medical Board that disability occurred while last employed in a position covered by the System.
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 \$1800.00 per year (contributory option) or \$1128.00 (non-contributory option). After July 1, 1997, a disability retiree with five (5) or more years of Arkansas service shall not receive less than \$1200 per year (contributory option) or \$768.00 per year (non-contributory option). (Amended by Act 1053 of 1997)

## POLICIES

1. 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, a member in employer service who has five (5) or more years of credited service, and who has become or becomes totally and permanently physically or mentally incapacitated to perform the duties of his/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; provided, that after a medical examination of said member made by or under the direction of the Medical Board, the Medical Board reports by majority opinion in writing to the Board of Trustees, ~~which~~ 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. Such disability retirement shall be effective the first day of the month following the later of: his/her termination of active membership; or six months prior to the date written application is filed with the Board.
3. The annuity formula for computing disability retirement benefits is the same as for age and service retirement.
  - a. Effective July 1, 2001, 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.

4.
  - 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 his/her withdrawal of his/her refusal.
  - c. If his/her refusal continues for 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 postion held by him or her at the time of disability retirement, then his or her disability retirement shall terminate.
5. If a disability retirant under age 60 becomes employed as a full time employee by an employer whose employees are covered by a State supported system or the University of Arkansas 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 his disability retirement shall be restored to his/her credit in the members deposit account, and he 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 policies under "CONDITIONS UNDER WHICH A RETIRANT MAY RETURN TO COVERED SERVICE OTHER THAN BY RESCINDING HIS RETIREMENT".
6. (Reciprocal service)
  - 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) ~~He~~ 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) ~~His~~ 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 he/she filed his application for same with the preceding system but not prior to the date he/she leaves the employ of his/her last State employer.
7. 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.
  8. 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 his/her withdrawal of his/her refusal.
  9. If a member is approved for disability retirement but continues to work, he/she must terminate employment at the end of the school year. If service is not terminated at that time, a new application must be submitted and Medical Board approval must be given based on the new application.
  10. If a disability retirant returns to full-time employment and receives credited service but dies before he completes 120 days of creditable service, a determination must be made as to whether survivor or disability benefits will be payable.
  11. 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.
  12. 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) -
  13. ~~(Refunded service)~~ - An active member of the System who applies for disability retirement is eligible to repay any refunded service, provided that the member repays to the System the amount withdrawn, plus interest, from the date of withdrawal to the date of final payment. (See repayment of refund section).

14. ~~(Back Contributions)~~– An active member of the System who applies for disability retirement is eligible to pay contributions, and employer costs, plus interest, on service rendered in a covered position after July 1, 1937, on which no applicable contributions and employer costs have been paid and on which no service has been credited, provided he completes all requirements. (See Back Contributions section)
  
15. ~~(Military service)~~– An active member of the system who applies for disability retirement is eligible to file proof of military service provided he completes the requirements established for military service. (See Military Service section)

**EARLY RETIREMENT**

(Amended by Act 282/95; Acts 282/95; Acts 992, 1074/97; Act 1521/99;  
Acts 461, 1300/2001)  
(A.C.A. § 24-7-702)

~~DEFINITION (Amended by Act 281 of 1995)~~

1. (a) Early retirement with a reduction in the benefit formula allows an active member who has at least 25 years of credited service but who has not attained age 60 to retire early on a reduced annuity.
  - (b) 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 (~~deferred~~) allows an inactive member with 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) For inactive members, effective date of benefits for inactive member is the first day of the month following the date the member's application 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.

## **SURVIVOR BENEFITS**

### **DEFINITIONS**

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

### **POLICIES**

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

effect at the time of the member's death, a lump sum distribution of the deceased member's accumulated contributions, plus interest, may be made to any beneficiary or beneficiaries so designated by the member before death.

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

7. Certification of attendance in an accredited school may be made by the dependent child in the absence of a parent or legal guardian (after the dependent child reaches age 18).
8. Survivor benefits in case of death of disability applicant: In the case of an active member who has applied for disability retirement and dies before he ~~signs his Final Retirement Contract~~ receipt of the first retirement check, determination must be made on an individual basis as to whether survivor benefits will be payable or whether the case will be processed for disability retirement.
9. Covered Salary: For the purposes of determining survivor benefits, covered salary shall be that salary on which the member would have made contributions had he lived through the end of the fiscal year as evidenced by the contract salary or \$7,800 maximum; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds that include contributory service, he must pay the additional contributions due to change to full salary.

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

10. Payments of salary that are made after the death of a member, but have been earned prior to death are subject to Teacher Retirement deductions and reported in total salary and days of service on the D-2a. Payments made by an employer subsequent to the death of an active member that had not been earned but are made as a gratuity shall not be included as salary and are not subject to deductions.
11. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certifies continuing employment, and leave of absence with pay upon which the member is making contributions also continues active membership.
12. If death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive

more as a percent of the deceased member's final pay or as a minimum dollar amount than the largest amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with any other reciprocal system that has a minimum benefit provision in its plan. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratios of such service in such system to the total service in all reciprocal systems.

13. When the member elects to transfer from the Teacher Retirement System to the Public Employees Retirement System under the provisions of Act 793 of 1977 the Public Employees Retirement System becomes the system responsible for determining, upon the death of a member, a survivor's eligibility for a refund of the member's account, or monthly survivor benefits.

**Amended: 2001**

**DEATH BENEFIT**  
**(Act 1022/97; Act 312/99, Act 359 of 2001\*)**

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

**DEFINITIONS**

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

**POLICIES**

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

surviving dependent child will receive a lump sum benefit of ten thousand dollars (\$10,000) upon the death of the retiree.

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

\*Act 359 of 2001 authorized the Board of Trustees to increase the active and retired contributory members' lump sum death benefit to \$15,000 and the active and retired non-contributory members' lump sum death benefit to \$10,000. However, the Act provided that no benefit enhancement under the act is to be implemented if it would cause ATRS' unfunded actuarial accrued liabilities to exceed a 30 year amortization. Further, if ATRS has unfunded actuarial liabilities being amortized over a period exceeding 30 years, no benefit enhancement is to be implemented until the unfunded actuarial accrued liability is reduced to a level less than the standards prescribed by Arkansas Code, Title 24.

**Amended:** 2001

**ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM**  
**(Act 1244 of 1991, Act 1784 of 2001)**  
**A.C.A. §§ 24-7-801-808 & 6-53-301 et seq)**

**DEFINITIONS**

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

**POLICIES** (Amended by Act 332 of 1995)

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

Higher Education thereafter, a state-supported vocational-technical institution may be consolidated with a four-year institution or a two-year branch campus of a four-year institution.

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

within ninety (90) days following the appointment of the local board elect either to continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.
- ~~10. Effective July 1, 1997, staff members who elect to participate in an alternate retirement plan may elect to become members of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 1997, and notice of the election shall be made in writing and filed with the retirement system and the disbursing officer of the employing college or university by December 31, 1997.~~
10. Arkansas Code of 1987 Annotated 24-7-1003 requires certain employees of state universities and community colleges to be enrolled in the Arkansas Public Employees Retirement System (APERS), rather than the Arkansas Teacher Retirement System (ATRS). Beginning November 20, 1997, those individuals first employed by the various colleges, universities, or community colleges and are in pay grade of 17 and below will become members of APERS. All members of APERS who are promoted to a position Grade 18 and above will automatically become a member of ATRS or the College Alternate Plan unless they choose to remain in APERS. (Revised 11/18/97).
11. Effective July 1, 2001, staff members who elect to participate in an alternate retirement plan may elect to become members of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 2001, and notice of the election shall be made in writing and filed with the retirement system and disbursing officer of the employing college or university by December 31, 2001. \*

\*The statutory basis for this subsection (A.C.A. 24-7-807(5)(D) was first passed in 1995; subsequent legislation changed the dates from 1995 to 1997 to 1999 to 2001.

**Amended:** 2001

**VOCATIONAL EDUCATION ALTERNATE PLAN**  
**(Act 480 of 1983, Act 1784 of 2001)**  
**A.C.A. §24-7-901-909**

**DEFINITIONS**

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

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

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

Retirement Plan. Such election shall be in writing and shall be filed with both the Teacher Retirement System and the Director within 90 days after establishment of the Alternate Retirement Plan and prior to the staff member's participation in an Alternate Retirement Plan. Under such circumstances, the staff member would be both an "inactive member" of the Teacher Retirement System and an "active member" of the Alternate Retirement Plan.

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

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

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

- ~~9. Effective July 1, 1997, staff members who elect to participate in an alternate retirement plan may elect to become members of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 1997, and notice of the election shall be made in writing and filed with the retirement system and the disbursing officer of the employing college or university by December 31, 1997.~~

9. Service for the year in which a member changed to the Arkansas Teacher Retirement System shall be credited as follows:

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

10. Effective July 1, 2001, staff members who elect to participate in an alternate retirement plan may elect to become members of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by

December 31, 2001, and notice of the election shall be made in writing and filed with the retirement system and the disbursing officer of the employing college or university by December 31, 2001. \*

\*The statutory basis for this subsection (A.C.A. 24-7-907(5)) was first passed in 1993; subsequent legislation changed the dates from 1993 to 1995 to 1997 to 1999 to 2001.

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-21**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System adopts the amended policies to implement 2001 legislative changes and to make technical changes concerning Retirants Return to Service by Rescinding Retirement and Conditions Under Which a Retirant May Return to Service Without Rescinding Retirement, as presented in Attachment No. 11 of this agenda binder, to be effective ten days after filing.

***FURTHER RESOLVED*** that the Executive Director of ATRS or his designee is authorized to promulgate and implement these amendments.

***FURTHER RESOLVED*** that in promulgating these amendments, the Executive Director of ATRS or his designee is authorized to make technical corrections when necessary.

Adopted this 15<sup>th</sup> day of June 2004

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LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

**RETIRANTS RETURN TO SERVICE**  
**BY RESCINDING RESCISSION OF RETIREMENT (Act 39 of 1989)**

(Amended by ~~Act 1293/95; Act 384/99; Act 30/99;~~ Acts 435 & 478/93; Act 481 of 2001)

(A.C.A. §24-7-717)

**DEFINITION**

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

**POLICIES**

1. A retirant rescinding his/her decision to terminate active membership shall file a written rescission on a form furnished by the ATRS Board.
2. a) For any school year in which a retirant takes a position in a public school, the rescission form shall be filed with the Teacher Retirement System office on or before June 30 of the previous year.  
  
b) Should a retirant fail to meet the deadline set out in 2(a), the school district may file an appeal for a waiver of the required filing date.
3. The rescission shall become effective the first day of the calendar month next following the date the written rescission is received by the Board.
4. Any annuity benefit formerly due from the System shall be terminated upon the effective date of the rescission.
5. Upon rescission, the former retirant shall be considered an active member ~~who~~ and shall accrue additional credited service subject to the following conditions:
  - a) If reemployment terminates before the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, the former retirant shall become a retired member and the payment of annuity shall resume upon such termination. The former retirant shall be entitled to receive any member contributions which may have been made during the reemployment period.  
  
b) If reemployment terminates after the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, upon termination of reemployment, the former retirant shall become a retired member and receive an annuity which has been

- recalculated according to the benefit formula in effect at the time of such termination of reemployment.
6. Effective July 1, 1993, if a retirant has previously rescinded his/her decision to terminate active membership and has become an active member by reemployment, but after becoming a retirant and before rescinding had been employed in a position covered by the System, as an active member he/she shall be eligible to purchase such previous service by:
    - a) Fulfilling the requirements set out in Sec. 24-7-717(e)(2) (which is §5(b) of this policy);
      - b) Returning to the System all retirement benefits received during such employment, together with regular interest from the date of receipt of such payments to the date of repayment in full; and
      - c) Paying to the System both member and employer contributions for the previous service rendered after becoming a retirant but before rescinding, plus interest from the date of reemployment to the date of payment in full.
  7. Upon rescission, a former retirant shall be eligible to participate in the T-DROP subject to the following conditions:
    - a) The employee shall file a Retirement Rescission form;
    - b) The employee shall file a T-DROP application; and
    - c) The effective date will be the first day of the calendar month next following the completion of at least thirty (30) working days.
    - d) The years of service used in the calculation of T-Drop reductions do not include service rendered while rescinded.
    - e) The former retirant's T-Drop deposit will be based on the monthly straight life annuity benefit to which he/she was entitled on the effective date of retirement plus retirant raises received during time of retirement. The T-Drop deposit will not include the benefit provided in Arkansas Code Section 24-7-713(b).
  8. A T-DROP retirant who wishes to rescind must file a Retirement Rescission form and receive a lump sum distribution of the remainder of the T-DROP account. Then, following receipt of the T-DROP Application form and the completion of at least thirty (30) working days, participation in the T-DROP will begin.

- a) The years of service used in the calculation of T-Drop reductions do not include service rendered while rescinded.
  - b) The former retirant's T-Drop deposit will be based on the monthly straight life annuity benefit to which he/she was entitled on the effective date of retirement plus retirant raises received during time of retirement. The T-Drop deposit will not include the benefit provided in Arkansas Code Section 24-7-713(b).
  - c) Upon completion of a maximum of 10 years of combined participation, the monthly deposits and accrued interest shall cease.
9. a) An early retirant under A.C.A. § 24-7-702 may rescind the decision to terminate active membership (retirement) and may become an active member upon reemployment for the purpose of participation in the Teacher Deferred Retirement Option Plan under the following conditions:
- i) Retirement Rescission form must be filed with the System;
  - ii) The rescission shall become effective the first day of the calendar month next following the date the written rescission is received by the Board.
  - iii) Any annuity benefit formerly due from the System shall be terminated upon the effective date of the rescission.
  - iv) Re-employment will be for at least three (3) years.
- b) When the early retirant who has rescinded accumulates the minimum number of years required for participation in the T-Drop (28), he/she will enter the T-Drop at that time and begin to accumulate a T-Drop account.
  - c) The early retirant's T-Drop account will be based upon his/her voucher amount at the time of his eligibility to participate in the T-Drop.
  - d) If the early retirant who has rescinded terminates employment before the completion of three (3) full years of credited service under rescission, the following will apply:
    - i) The retirement annuity will resume at the rate effective at the time of rescission (including any cost of living adjustments and legislative adjustments);
    - ii) Member contributions paid while rescinded will be refunded;

iii) Funds accumulated in the T-Drop account will be forfeited. (Act 481 of 2001).

e) When the early retirant who has rescinded completes three (3) full years of credited service under rescission, he/she may retire and receive benefits accrued from both accounts (T-Drop and retirement) as provided under normal T-Drop provisions.

**Amended:** 2001 & June 17, 2003

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

UNDER ACT 39 OF 1989

**(Amended by Act 1293 of 1995; Act 384 of 1997; Act 30 of 1999; Act 1146 of 2001  
(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, if a retirant returns to service - as an employee of a public employer whose employees are covered by ATRS<sup>1</sup> - without rescinding his/her retirement under Act 39 of 1989 (A.C.A. § 24-7-717), ~~benefits may continue to be paid up to certain limits, 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 is ~~age 65 to 69 or under age 65~~ has reached "full retirement age (FRA)" as defined in P.L. 106-182.

- (a) ~~Effective July 1, 1992, a retirant that is age 65 to 69 may earn up to twice the Social Security amount without affecting his ATRSJ benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$3 earned above the earnings limitation amount.~~

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.<sup>2</sup>

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<sup>1</sup> (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; )

<sup>2</sup> Previously, a retirant that is aged 65 to 69 may 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 will was to be deducted for each \$3 earned above the earnings limitation amount.

- (b) Effective July 1, 1992, a retirant that is under age 65 may earn up to twice the Social Security earnings limitation amount without affecting his/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.
- ~~(c) Employers will report quarterly all retirants who have returned to full or part-time employment in an ATRS covered position and who have not rescinded their retirement. The reporting form will be furnished by ATRS.~~
- (d) Unless the system is directed otherwise in writing, the benefits of those retirants exceeding the earnings limitations will be reduced in the proper amount in the fiscal year following the fiscal year in which the earnings limitation is exceeded. A retirant may direct ATRS to reduce benefits within the same fiscal year the earnings limitation is expected to be exceeded.
- 2 (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 ~~quarterly~~ semi-annually all retirants who have returned to full or part-time employment in an ATRS covered position and who have not rescinded their retirement. The ~~reporting form~~ semi-annual report will be filed on a Retired Member Returned to Service Form which will be furnished by ATRS.
- ~~(b)-(c) In the event that both the employee and his employer fail to notify the Teacher Retirement System of a retiree's return to service and benefits are paid illegally due to such lack of notice, the Teacher Retirement System shall delay restoration of benefits until all funds paid illegally have been recovered either through direct payment by the retiree or through delay in restoration of benefits by the System.~~

3 (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.<sup>3</sup>

~~(b) Effective July 1, 1991, an age and service retiree may be employed by a private employer or a public employer whose employees are not covered by ATRS~~

~~in a position covered by a state-supported retirement system other than the Teacher Retirement System 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) an age and service retiree shall not accrue additional service credit, nor shall he/she contribute to the Arkansas Teacher Retirement System.

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 nor shall he or she contribute to the system." Act 39 of 1989?" 24-7-717(d)(1): upon rescission, a former retirant shall be considered an active member and shall accrue additional credited service ...see retirants return to service policy.

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 Item 1 ~~4a) and 4b).~~

6. (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 Item 1 ~~s 1a) and 1b).~~

#### **WAIVER OF EARNINGS LIMITATION**

1. (a) In accordance with Act 30 of 1999, under 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 for ~~to~~ the ATRS earnings limitation

(b) All requests for waiver must originate with ADE. If approved, the waiver shall be effective for one (1) year from the date of approval. The waiver may

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

be reviewed for consideration annually by the ATRS Executive Director upon request by ADE.

2. (a) Effective July 1, 2001, under Act 1146 of 2001, the ATRS Executive Director is authorized to take appropriate action on waivers of the ATRS earnings limitations requested by the Department of Education under the following conditions:

i. The retiree is hired by the appropriate entity 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 which qualifies as a school district in academic distress as defined in § 6-20-1602.

(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;

(d) Employers will be responsible for reporting to ATRS, all retirees who have returned to employment under these provisions (Act 1146 of 2001).

### **DISABILITY RETIRANT**

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

#### **1. Disability Retiree Employed Full-Time**

When a disability retiree is employed under contract in a position covered by the Teacher Retirement System as a full-time employee in a regular or special position on a fiscal year basis, the Teacher Retirement System is required to remove him from the disability payroll. It is the responsibility of the employing agency to report such employment to the retirement office immediately. Unless the retiree was a member of the non-contributory plan, it is also the responsibility of the employing agency to withhold 6% of applicable salary. If the retiree completes a minimum of 120 days or more during a fiscal year in Arkansas, thus adding a year's service credit, he can then again make application for disability or age and service retirement and his benefits will be recomputed based on the additional year or years of service credit. Full-time employment is defined as a

member working at least 480 hours in a fiscal year. A disability retiree shall not be permitted to establish service credit when employed in a part-time position.

## 2. Disability Retiree Employed Part-Time

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

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-22**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System adopts the amended policies concerning Purchase of Service Credit, Repayment of Refunds, and Acceptance of Rollovers, as presented in Attachment No. 12 of this agenda binder, to be effective July 1, 2004.

***FURTHER RESOLVED*** that the Executive Director of ATRS or his designee is authorized to promulgate and implement these amendments.

***FURTHER RESOLVED*** that in promulgating these amendments, the Executive Director of ATRS or his designee is authorized to make technical corrections when necessary.

Adopted this 15<sup>th</sup> day of June 2004

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**LINDA PARSONS, Chair**  
Arkansas Teacher Retirement System

## **PURCHASE OF SERVICE CREDIT/REPAYMENT OF REFUNDS**

### DEFINITIONS

1. **Additional Contributions** - Contributions due on service rendered in a covered position but not withheld by the employer. This term also applies to the difference between the employee/employer contributions paid on the first \$ 7,800 and actual salary earned. **A.C.A. 24-7-406(a)(6).**
2. **Back Contributions** - Contributions payable by an active member for service rendered in a covered position after July 1, 1937 on which no applicable contributions have been paid and on which no service has been credited. **A.C.A. 24-7-502(b)(5)(A)(i).**
3. **Employer "Pick-Up"** - Contributions withheld from salary by covered employers after June 30, 1997. Such contributions shall not be subject to state and federal income taxes and shall not be included as gross income until distributed or made available to the member. "Picked-Up" contributions may also be used to repay a refund or purchase service. **A.C.A. 24-7-406(h).**
4. **Military Service (purchased)** - The purchase of active duty military service. **A.C.A. 24-7-602 and A.C.A. 24-2-502.**
5. **National Guard Service** - Service rendered in the Arkansas National Guard. **A.C.A. 24-7-610.**
6. **Non-Contributory to Contributory**- Payment made to convert non-contributory service credit to contributory service credit. **A.C.A. 24-7-406(f)(3)(A)(ii).**
7. **Out-of-State Service** - Service rendered in any state except Arkansas in a position which would have been covered by ATRS had the service been rendered in the State of Arkansas. **A.C.A. 24-7-603.**
8. **Overseas Service** - Service rendered in an American-type overseas school sponsored and approved by either the United States Department of State or the Department of Defense, Peace Corps or Volunteers in Service to America (VISTA). **A.C.A. 24-7-604.**
9. **Private School Service** - Service rendered in any private school or agency which is recognized by the Arkansas State Department of

- Education for the issuance of teaching certificates. **A.C.A. 24-7-607.** Employment under the Head Start Programs will be considered private school service and will have the same requirements for the issuance of teaching certificates by the Arkansas State Department of Education.
10. **Repayment of Refund** - Repayment to ATRS of contributions that have been withdrawn. Withdrawal of contributions forfeits credited service. Service credit can be restored by repayment of a refund. **A.C.A. 24-7-502(b)(4)(A) and A.C.A. 24-7-406(d).**
  
  11. **Rollover/Transfer** – Acceptance of before tax contributions as rollover distributions and/or direct rollovers of distributions from ~~qualified~~ plans pursuant to the section on “Rollovers- Acceptance of” in this policy manual.. **A.C.A. 24-7-502(b)(4)(A).**
  
  12. **Sabbatical Leave** - Leave of absence from a school from and after June 28, 1985, in order to obtain an advanced degree at an institution of higher learning, or to fulfill the requirements of a scholarship or grant. **A.C.A. 24-7-606.**
  
  13. **Interest** - The rate or rates per annum, compounded annually, as the Board shall adopt from time to time, that will be charged for the purchase of service credit or to repay a refund, but the rate shall equal no less than the system’s current assumed interest rate assumption (currently 8%). **A.C.A. 27-7-202(16).**

**PURCHASE PAYMENTS**

1. Effective July 1, 2004, each new purchase account with a total amount due of \$1,000.00 or less, must be paid in a lump sum.

Each new purchase account with a total amount due greater than \$1,000.00 but less than \$ 10,000.00, will require a minimum of \$ 500.00 each payment until the account is paid in full.

Each new purchase account with a total amount due of \$10,000.00 or greater, will require a minimum payment of \$1,000.00 each payment until the account(s) is paid in full.

2. An agreement to complete payment of purchase account shall exist upon acceptance of the initial payment.
3. Multiple new purchase accounts may be concurrently established for some service purchase types; however, each individual account must adhere to the minimum payment as specified and outlined in item number 1 above.
4. Unless new purchase account(s) is paid in full, the initial payment on each purchase account(s) established must be made with after-tax dollars (personal check, money order or cashier's check) for the minimum payment amount as specified and outlined in item number 1 above.
5. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up. A member whose covered employer has submitted a Payroll Deduction Resolution form for employer pick-up (tax-deferred deductions) may submit to ATRS an Irrevocable Payroll Authorization (IPA) form provided by ATRS. The IPA shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee. The amount of the recurring deduction must meet the minimum payment amount as specified and outlined in item number 1 above. The recurring deduction will be deducted from the salary of each participating member on each and every payroll, for each and every payroll period. Once established, the IPA will remain in effect until (a) the number of payments on IPA are completed, (b) the member terminates employment, or (c) the member retires. A.C.A. 24-7-406(h)(1)(B) and A.C.A. 24-7-406(h)(2)(3)(4)(5).

Should the member have an existing IPA established prior to July 1, 2004, setting up a new purchase account automatically increases the amount on the existing IPA to coincide with the new minimum payment on the new

purchase account. Payments to multiple accounts are applied at ATRS' discretion.

The amount of the deduction may be increased or lowered so long as the lowered amount does not fall below the minimum amounts payable. Maximum deductions on purchase service are set forth by IRS regulations.

6. Payment by personal checks that meet the minimum requirements of number 1 above may be made at any time during the installment period in addition to any payments made by employer pick-up.

Repayment of refunds or purchase of service may be made by direct rollover/transfer of funds from qualified plans. ATRS can accept rollovers to buy service only if funds have originated from another qualified plan defined under Internal Revenue Code. ATRS does not accept rollovers that exceed the total amount due to purchase service credit. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick up (tax deferred deductions). See section on "Purchase Payments".

A purchase account is not considered established and will not be setup as payable until the initial payment is accepted by ATRS.

## **CANCELLATION OF PURCHASE SERVICE ACCOUNTS**

1. Under certain hardship cases or if mandated by statute, an established purchase account may be cancelled if submitted in writing by the member and approved by ATRS Administration. The amount of payments to-date will be returned to the member without interest unless the payment of interest is statutorily mandated. Purchase account payments through employer pick-up cannot be cancelled until (a) the number of payments on IPA are completed, (b) the member terminates employment, or (c) the member retires.
  
2. The cancelled purchase account may be refunded under certain conditions:
  - a) Accounts paid with only after-tax contributions can be returned to the member.
  - b) Accounts paid with only employer pick-up contributions cannot be returned to the member unless the member terminates employment or retires.
  - c) Accounts paid with only rollover/transfer contributions may be rolled to another qualified plan or refunded to the member minus federal taxes.
  - d) Accounts paid with combination of after-tax and rollover/transfer may be refunded.

PRIOR TEACHING SERVICE BEFORE 1937 (Free)

(Amended by Act 142 and 206/97, Act 866/00)

DEFINITIONS

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

- ~~3. Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

## POLICIES

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

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; Act 866/99)

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 and actual salary earned.

POLICIES

1. A member making contributions on the first \$ 7,800 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 which would have been paid to the system had the member's full salary always been covered, plus interest from the dates the added contributions would normally have been received by the system to the date of such actual payment:
    - i) Provided, however, if a member who is making contributions only on the first \$ 7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he/she shall be considered on full salary for reporting purposes.
    - ii) However, should he/she wish to repay any refunds which 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, and who has not received a refund, may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary for reporting purposes. Additional employer contributions for that period shall not be due from the member.
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 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,

- a) from each, together with regular interest beginning with the subsequent fiscal year.
  - b) 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 section on "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 section on "Rollovers".
  7. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payment" section of the Policy Manual.

**PURCHASE OF NON-CONTRIBUTORY SERVICE AS CONTRIBUTORY**  
**(A.C.A. 24-7-406(f)(3)(A)(ii))**  
**Act 864 of 1999**

DEFINITION – Payment made to convert non-contributory service credit to contributory service credit.

POLICIES (Act 864 of 1999)

1. Beginning July 1, 1999, an active member who has previously elected the non-contributory plan may change his/her non-contributory credited service to contributory credited service by paying the additional contributions due, plus interest, from the dates the contributions would have been received by the system to the date of payment in full.
2. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See section on “Rollovers”.
3. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on “Purchase Payments”.
4. All rules pertaining to the minimum payments and payment methods are contained in the Purchase Payment section of this Policy Manual.

**PURCHASE OF NON-CONTRIBUTORY SERVICE AS CONTRIBUTORY**  
**(A.C.A. 24-7-406(f)(3)(A)(ii))**  
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DEFINITION – Payment made to convert non-contributory service credit to contributory service credit.

POLICIES (Act 864 of 1999)

5. Beginning July 1, 1999, an active member who has previously elected the non-contributory plan may change his/her non-contributory credited service to contributory credited service by paying the additional contributions due, plus interest, from the dates the contributions would have been received by the system to the date of payment in full.
6. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See section on “Rollovers”.
7. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on “Purchase Payments”.
8. All rules pertaining to the minimum payments and payment methods are contained in the Purchase Payment section of this Policy Manual.

**PURCHASE OF MILITARY SERVICE**

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

A.C.A. 24-2-502

A.C.A. 24-7-602

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

1. A ~~person~~ member may purchase one (1) year at a time if he so chooses. The year or years to be purchased shall be closest to teaching service.
2. Eligibility to purchase military service credit shall be subject to the following conditions.
  - a) Any person who is now, or was in the past, a member of a reciprocal system and has five (5) years of combined credited membership service.
  - b) A member of the Teacher Retirement System with five (5) years of credited membership service.
  - c) Must have received an honorable discharge.
  - d) Total military service credit cannot exceed five (5) years.
  - e) The member is not receiving, not is eligible to receive federal military service retirement pay (other than disability) based upon 19 or more years of active duty; ~~and.~~
3. Crediting of military service will require the completion of Form M-2, provided by the System, and official military documents listing the entry and discharge dates of the first enlistment or induction.
4. Effective August 13, 1993, the computation for the purchase of military service shall be:
  - a) For the first three (3) years of credited service, the member shall pay ~~contributes to the member's deposit account a sum of money equal to the amount he or she would have contributed to the account~~ System had he or she been a member during ~~this~~ his or her term of military service. This amount shall be based upon ~~his monthly contributions~~ the salary at the time he or she first became a member of the retirement system times:
 
    - i. The employee ~~and employer~~ contribution rate for that first full year of credited service plus;
    - ii. The employer contribution rate for that first full year of credited service plus;
    - iii. Simple interest at a rate of 6%. ~~and interest thereon at the rate of six percent (6%), together with an amount equal to the employer matching contribution and interest thereon at the rate of six percent (6%), which~~

The interest shall commence January 1, 1976, or six (6) months after eligibility, whichever is later.

b) For the fourth and fifth year of credited service, the member contributes to the member's deposit account a sum of money equal to shall pay the amount he or she would have contributed to the account System had he or she been a member during his or her term of military service. This amount shall be based upon: This amount shall be based upon the salary at the time he or she first became a member of the retirement system times;

i. His or her salary at the time he or she first became a member of the retirement system; The employee contribution rate for that first full year of credited service plus;

ii. The employer's contribution rate in effect at the time the member first became eligible to purchase the military service plus; and

iii. Simple interest on both the employee's and employer's contributions at a rate of six percent (6%).-Which The interest shall commence January 1, 1976, or six (6) months after eligibility, whichever is later.

4. Effective July 1, 1988, all purchases and payments paid with after tax dollars shall be made in the following manner:

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

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

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

For the 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 a pay a minimum of \$ 250.00 each time until the account is paid in full.

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

5. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on "Purchase Payments."

Each ATRS employer shall submit to the System a resolution on a form provided by the System, which authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.

5. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401 (a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.
6. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See section on "Rollovers."
7. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payments" section of this Policy Manual.

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

POLICIES (Act 1296 of 2001)

1. One year of purchased service credit shall be available for every five (5) years of Arkansas National Guard service. The cost to purchase Arkansas National Guard service is the current employee/employer rate of the greater of: the first full year's annual salary the member received for Arkansas service immediately preceding the purchase, or the average of the member's three highest salaries.
2. Service credit shall be limited to five (5) years.
3. Salaries for purchased Arkansas National Guard service are not recorded. In computing final average salary, only Arkansas salaries shall be used in the determination of the three (3) highest years.
4. Purchased Arkansas National Guard service shall be credited to the year in which it was rendered and cannot be purchased if prior to 1937-38.
5. Certification of Arkansas National Guard service must be submitted to ATRS in a manner approved by the system.
6. Total military service credited in the system cannot exceed five (5) years.
7. The member is not receiving, nor is eligible to receive federal military service retirement pay (other than disability) based upon 19 or more years of active duty.
8. All purchased Arkansas National Guard service shall be counted as contributory service.
9. The Arkansas National Guard service shall not become credited service under this system until:
  - a. The member payments have been paid in full; and
  - b. The member has established five (5) or more years of credited service exclusive of Arkansas National Guard service. Should a member cease to be an active member before the Arkansas National Guard service has been established as system credited service, the member payments contributed shall be refundable, together with interest thereon; however, due to IRS regulations, purchase account payments

made through employer pick-up are subject to the restrictions as stated in the "Cancellation" section..

10. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See section on "Rollovers."

11. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on "Purchase Payments."

12. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payment" section of this Policy Manual.

**REPAYMENT OF REFUNDS**  
(A.C.A. 24-7-502(b)(4)(A) and A.C.A. 24-7-406(d))

DEFINITIONS (Amended by Act 142 of 1997)

1. ~~"Repayment of refund" means - R~~repayment to the system of contributions that have been withdrawn. Withdrawal of contributions forfeits credited service. Service credit can be restored by repayment of a refund. A.C.A. 24-7-502(b)(4)(A)
2. ~~"Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS used to compute interest on a member's contributions (currently 6%).~~
3. ~~Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

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

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

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

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

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

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

For the 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 a pay a minimum of \$ 250.00 each time until the account is paid in full.

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

7. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payment" section of this Policy Manual.

## BACK CONTRIBUTIONS

(A.C.A 24-7-502(b)(5)(A)(i))

### DEFINITIONS

1. "Back Contributions" means ~~contributions payable by an active member for service rendered in a covered position after July 1, 1937 on which no applicable contributions have been paid and on which no service has been credited.~~

1. ~~"Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS used to compute interest on a member's contributions (currently 6%).~~

2. ~~Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

### POLICIES (Amended by Act 206 of 1997)

1. ~~Back Contributions~~ — After July 1, 1971, the number of days required to establish a year of service since 1937 is 120 days. Fractional credit may also be established only for service rendered after July 1, 1971. A.C.A. 24-7-502(b)(5)(A)(ii).

2. Credit for back service established before July 1, 1984, may be purchased by an active ~~the member who~~ paying ~~to the system~~ the employee contributions, plus interest, from the time the service was rendered until contributions are paid in full.

3. Effective July 1, 1984, back service credit may be established ~~only by an~~ active member ~~be~~ who ~~paying~~ both the employee and employer contributions, plus interest, from the time the service was rendered until contributions are paid in full. A.C.A. 24-7-502 (b)(5)(B)

4. Policies 2 and 3 shall be applicable to:

a) Service credit being established by ~~a person~~ an active member who has elected to exclude himself/herself from membership under A.C.A. 24-7-501(b)(1).

b) Any other eligible service for which no service credit has been established.

~~c) A member who is making contributions on the first \$7,800 of his salary may elect to change to full salary under the following conditions: If such election is made between July 1, 1973 and June 30, 1984, the member must pay to the system the difference plus interest between full salary contributions and contributions based on \$7,800 retroactive to July 1, 1969 or the actual date of employment, whichever is later. If such election is made July 1, 1984 or later, the member must pay to the system both the added member contributions and the added employer contributions which would have been paid to the system had the member's full salary always been covered, plus interest from the dates the added contributions would normally have been received by the system to the date of such actual payment; provided, however, if a member who is making contributions only on the first \$7,800 of his total annual salary receives a refund of his contributions and subsequently returns to covered service as a non-contributory member, he shall be considered on full salary for reporting purposes. However, should he wish to repay any refunds which include contributory service, he must pay the additional contributions due to change to full salary. A.C.A. 24-7-406(a)(4)(B)(C)~~

~~A member whose salary for reporting purposes is \$7,800, and who has not received a refund, may elect to change effective July 1, 1986, to the non-contributory plan and from that date be considered on full salary for reporting purposes. Additional employer contributions for that period shall not be due from the member. However, if a member elects to make this change, he must pay the additional employee and employer contributions due on any service reported between July 1, 1969, and June 30, 1986.~~

~~5. Effective July 1, 1988, all purchases and payments paid with after-tax dollars shall be made in the following manner:~~

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

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

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

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

For the 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 a pay a minimum of \$ 250.00 each time until the account is paid in full.

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

6.5. No Back contributions will not be billed on service before July 1, 1971 unless days of service are at least 120 days. payment of such contributions will add to a member's service credit. A.C.A. 24-7-502(b)(5)(A)(ii).

7.6. For service established June 1, 1989, or after, no back contributions will be billed on service unless payment of such contributions will add to a member's service credit. See A.C.A. 24-7-406(a)(6)

8.7. If a member does not purchase at one time all of his/her back service credit, he must purchase the remainder in inverse order.

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

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

- ~~11. Beginning July 1, 1999, an active member who has previously elected the non-contributory plan may change his/her non-contributory credited service to contributory credited service by paying the additional contributions due, plus interest, from the dates the contributions would have been received by the system to the date of payment in full. A.C.A. 24-7-406(f)(3)(A)(ii).~~
10. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payments" section of this Policy Manual.

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

DEFINITIONS (Amended by Act 142 of 1997)

~~4.~~ "Out-of-state service" means service rendered in any state except Arkansas in a position which would have been covered by the System had the service been rendered in the State of Arkansas.

~~"Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS used to compute interest on a member's contributions (currently 6%).~~

~~Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

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

1. Before July 3, 1989, in order to purchase out-of-state service, such service rendered in any state except Arkansas must have been for a minimum of 120 working days in a fiscal year. ~~The cost to purchase out-of-state service is 18% (6% employee and 12% employer) of the greater of: the first full year's annual salary the member received for Arkansas service immediately preceding the purchase, or the average of the member's three highest salaries.~~
2. Except for out-of-state service purchased on or after July 3, 1989, in-state and out-of -state service rendered in the same fiscal year may be combined to reach the required 120 days, provided the member had at least 30 days of both in-state and out-of-state service credit. Twenty (20) days shall be considered a month.
3. 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 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 "Cancellation of Purchase Service Accounts" section of this policy manual.

3.8. 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 year.

4.9. 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.

~~6. Effective July 1, 1988, all purchases and payments paid with after tax dollars shall be made in the following manner:~~

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

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

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

~~For the 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 a pay a minimum of \$ 250.00 each time until the account is paid in full.~~

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

7.11. 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.

8.12. Beginning July 1, 1991, an active member may purchase service rendered outside the state during a period of employment with an education coordinating council.

9.13. 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 system and purchase out-of-state serviced rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.

- ~~10. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). Each ATRS employer shall submit to the System a resolution on a form provided by the System that authorizes such deductions for its employees. In addition, a member whose employer has submitted a resolution for employer pick-up shall submit to the System an irrevocable contract on a form provided by the System. Such contract shall set forth the amount and duration of deductions along with the terms and conditions agreed to by both the employer and the employee.~~
14. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on "Purchase Payments."
- ~~11.7. Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice.~~
15. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See section on "Rollovers."
16. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payment" section of this Policy Manual.

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

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

1. "Overseas service" ~~means~~ -Service rendered in an American-type overseas school sponsored and approved by either the United States Department of State or the Department of Defense, Peace Corps or Volunteers in Service to America (VISTA).
2. ~~"Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS used to compute interest on a member's contributions (currently 6%).~~
3. ~~Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

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

1. To be eligible for overseas service credit, a member must have a minimum of five (5) years of Arkansas credited service.
- 1.2. In order to purchase overseas service, employer and employee contributions must  
be paid on the later of, the active member's salary in the overseas school, or the annual salary received by ~~him~~ member for the first full year of Arkansas state teaching service, preceding the fiscal year in which the service is purchased. The member shall pay the employee contributions and the employer contributions may be paid either by the employer or by the member. For each year of the member's service overseas, employee and employer contributions shall be based upon the employer and employee rate in effect, for that year, provided employer and employee contributions are paid in the year in which the service is rendered. If the employer and employee contributions are not paid when the service is rendered, the employer and employee contributions shall be based on the rate in effect in the year preceding the fiscal year in which the service is purchased. If contributions were not paid to the system promptly, as service was rendered, interest shall be added from the date of purchase to the date of payment in full.

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.

2.3.A year of overseas service shall be a minimum of 120 days. Twenty (20) days shall be considered a month. The maximum overseas service, which may be credited to a member, is ten years. Fractions of years of service may be credited as provided by 24-7-601.

3.4.Salaries for purchased overseas service will be recorded for the years being purchased. In computing final average salary, only Arkansas salaries shall be used in the determination of the three (3) highest years.

4.5.Purchased overseas service shall be credited to the year in which it was rendered.

5.6.Effective July 1, 1986, all purchased overseas service shall be counted as contributory service and benefits based on this service shall be computed as contributory service.

6. Effective July 1, 1988, all purchases and payments paid with after tax dollars shall be made in the following manner:

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

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

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

~~For the 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 a pay a minimum of \$ 250.00 each time until the account is paid in full.~~

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

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

**PURCHASE OF SABBATICAL LEAVE**  
**(A.C.A. 24-7-606)**

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

"Sabbatical leave" means - Leave of absence from a school from and after June 28, 1985, in order to obtain an advanced degree at an institution of higher learning, or to fulfill the requirements of a scholarship or grant.

~~"Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS used to compute interest on a member's contributions (currently 6%).~~

~~Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

POLICIES (Amended by Act 542 of 1995; Act 206/97: Act 866/99)

1. The cost to purchase sabbatical leave is the employee and employer contribution rate in effect at the time of purchase times 18% (6% employee and 12 % employer) of the greater of the first full year's annual salary the member received for Arkansas service immediately preceding the purchase, or the average of the member's three highest salaries. 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.

2. A year of sabbatical leave service shall be for a minimum of 120 days. Twenty (20) days shall be considered a month. Fractions of years of service may be credited as provided by A.C.A. 24-7-601.
3. Purchased sabbatical leave service shall be credited to the year in which it was rendered.
4. If a member does not purchase, or is not eligible to purchase, all of his/her sabbatical leave service, he/she must purchase the remainder in inverse order.
5. Salaries for purchased sabbatical leave are not recorded.

Effective July 1, 1988, all purchases and payments paid with after tax dollars shall be made in the following manner:

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

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

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

For the 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 a 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.

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

6. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on "Purchase Payments."

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

7. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Section on "Rollovers."

8. All rules pertaining to the minimum payments and payment methods are contained in the "Purchase Payment" section of this Policy Manual.

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

DEFINITIONS (Amended by Act 142 of 1997)

"Private school service" ~~means~~ - service rendered in any private school or agency which is recognized by the State Department of Education for the issuance of teaching certificates.

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.

~~"Regular interest" means the rate or rates per annum, compounded annually, as the Board shall from time to time adopt, that ATRS used to compute interest on a member's contributions (currently 6%).~~

~~Effective July 1, 1998, "interest" means the rate or rates per annum, compounded annually, as the Board from time to time adopts, that will be charged for the purchase of service credit or to repay a refund. Such rate shall equal no less than the System's current actuarial interest rate assumption, which is eight percent (8%).~~

POLICIES (Amended by Acts 513 and 524 of 1995; Act 206 of 1997) (A.C.A. 24-7-607)

1. From and after January 1, 1990, an active member shall be eligible to purchase ~~may contact with the Board for private school service to be credited as service hereunder~~ in accordance with the following conditions:
  - a) Service credit shall be limited to service for which no benefit could be paid by another system similar in purpose to this system, except social security, if the member left on deposit his contributions to that system.
  - b) Service credited shall be limited to ~~ten (10)~~ fifteen (15) years.
2. The cost to purchase sabbatical leave is the employee and employer contributions rate in effect at the time of purchase times 18% (6% employee and 12% employer) of the greater of: the first full year's annual salary the member received for Arkansas service immediately preceding the purchase or the average of the member's three highest salaries. 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 the "Cancellation" section.

~~4. An member may purchase fractional years of out-of-state and/or private school service provide the member has, or is eligible to purchase, the difference in Arkansas service to equal one hundred twenty (120) days for the fiscal year. Fractions of years of service may be credited as provided by 24-7-601. A year of private school service shall be for a minimum of one hundred twenty (120) days, except as outlined in # 4 above. Twenty (20) days shall be considered a month-year.~~

a) 5. Certification Arkansas private school service, or out-of-state private school service, must be submitted to ATRS on a form provided by the system.

~~A year of private school service shall be for a minimum of one hundred twenty (120) days, except as outlined in # 4 above. Twenty (20) days shall be considered a month-year.~~

All private school service shall be counted as contributory. Purchased private school service shall be credited to the year in which it was rendered.

Effective July 1, 1988, all purchases and payments paid with after-tax dollars shall be made in the following manner:

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

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

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

For the 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 a 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.

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

7. Effective July 1, 1997, repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See section on "Purchase Payments".

9. ~~Repayment of refunds or purchase of service may be made by direct rollover of funds from qualified plans. ATRS can accept rollovers to buy service ONLY if funds have originated from another plan defined under Internal Revenue Code 401(a). The member will be responsible for remitting to the System the difference due if the rollover is not sufficient to pay the cost of the service for~~

~~which the member has agreed to purchase. If the rollover amount exceeds the cost of the service, ATRS will roll the excess into another qualified plan of the member's choice. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. (see Section on "Rollovers.")~~

8. All rules pertaining to the minimum payments and payment methods are contained in the Purchase Payments section of this Policy Manual.

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ROLLOVERS – ACCEPTANCE OF

POLICY TYPE: Membership

POLICY TITLE: Acceptance of

Rollovers

1. ATRS will accept participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001, for the purchase of service credit or repayment of refunds only from:
  - a) a qualified plan described in section 401(a) or 403(a) of the Code, excluding after-tax employee contributions;
  - b) an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions; or
  - c) an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state.

ATRS will accept a participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income.

ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-23**

***BE IT RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System reaffirms its adoption on April 6, 2004, of the amended policy on Setting, Reporting and Payment of Employer Contributions (Cooperative Education Service Areas, Vocational Centers, Arkansas Easter Seals, and the School Operated by the Department of Correction) to be effective July 1, 2004.

***FURTHER RESOLVED*** that the Executive Director of ATRS or his designee is authorized to promulgate and implement these amendments.

***FURTHER RESOLVED*** that in promulgating these amendments, the Executive Director of ATRS or his designee is authorized to make technical corrections when necessary.

Adopted this 15<sup>th</sup> day of June 2004

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**LINDA PARSONS, Chair**  
Arkansas Teacher Retirement System

**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)**

The effective date for these rules changes will be July 1, 2003 2004. ~~except for the provisions related to changing the basis for calculating employer contributions from the local school districts from previous year's to current year's salaries, which will be July 1, 2004. Local school districts will continue to operate under existing rules for fiscal year 2003-2004.~~

**DEFINITIONS**

1. "Covered salary," means, effective July 1, 2003, 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.
2. "Participating employers" means: local school districts, ~~educational cooperatives~~ cooperative education services areas, vocational centers, the Department of Correction, open enrollment charter schools, state agencies covered by ATRS, all public postsecondary institutions, or any 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)).
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. (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 percent) 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 percent) above the rate in effect on June 30, 2004.
- (c) 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.

#### GUIDELINES FOR REMITTING EMPLOYER CONTRIBUTIONS

1. (a) Section 13 of Act 1194 of 1995 (A.C.A. §24-7-103) requires local school districts to pay the Teacher Retirement employer contribution rate for any eligible employees in accordance with rules and regulations established by the Board of Trustees of the Arkansas Teacher Retirement System.
- (b) 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 of Act 51 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) A.C.A. §24-7-401(e), all other participating employer's 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 prescribed from time to time. Timely payment of the contributions is a condition of continuance of participation in the system.
- ~~2. Any remaining book balance on each June 30, no greater nor less than \$25 will be absorbed as an uncollectible account receivable or other income.~~
- ~~3. A six percent (6%) penalty of the amount due will be assessed for each late payment of employer and employee contributions, including~~
- ~~4. (a) For Local School Districts, Open Enrollment Charter Schools, State Agencies, Colleges, Technical Institutes and Non-Profit Corporations approved by the Board of Trustees.\*~~
  - (1) Section 13 of Act 1194 of 1995 (A.C.A. §24-7-103) requires local school districts to pay the Teacher Retirement employer contribution

~~rate for any eligible employees in accordance with rules and regulations established by the Board of Trustees of the Arkansas Teacher Retirement System.~~

~~4(2) Remittance forms will be furnished by the Teacher Retirement office.~~

~~2. (3) The above 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.~~

~~(4) 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.~~

~~3. (5) 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 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, postmarked date is extended to the next working date.~~

~~4. (6) 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 the amount of the payment plus the six percent (6%) penalty will be withheld from the employer's State Equalization Funding payment for that month. any monies due the employer from the Treasurer of State and the Department of Education, as provided in §19-5-106( a)(5).~~

~~4. (7) Supplemental salary payment reports received from local school districts after July 1, 1996, for fiscal years 1995-96 and later, will be accompanied by the employer contributions due (based upon the rate in effect the year payment was due).~~

~~6. (8) Effective July 1, 2003, the Arkansas Teacher Retirement System shall return to the participating employers the employer matching remitted for members that rendered less than 30 days of service during~~

~~the current fiscal year. The return of employer matching shall be done within three months (December 31) of the update (August 31) of end of the fiscal year 4<sup>th</sup> quarter reports. Employer matching shall be returned within three (3) months after the close of the fiscal year.~~

~~(9) The Arkansas Teacher Retirement System shall return to participating employers any amounts over paid 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.~~

~~4. (b) For Cooperative Education Services, Area 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): \*~~

~~(1) The Teacher Retirement System shall certify to the Department of Education no later than October 1, the amount of employer contributions due. The amount will be based on the previous year's covered salaries.~~

~~(2) The amount will be paid in nine (9) equal payments. The first payment for the month of September will be due by October 10<sup>th</sup>. For subsequent months, the payment will be due in the ATRS office by the tenth (10<sup>th</sup>) calendar day following the end of each month. Under Act 300 of 1992 (A.C.A. §24-7-411), a \$150 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15<sup>th</sup> day of the month or postmarked by the 14<sup>th</sup> day of the month due. If the 14<sup>th</sup> falls on Saturday, Sunday or a Holiday, postmarked date is extended to the next working date.~~

~~(3) \*Beginning with the 1996-97 school year, the Department of Education's biennial appropriation for grants and aids to local school districts has contained special language on this subject. The specific language contained in Act 51, First Extraordinary Session 2003 states in Section 7: "Beginning with the 1996-97 school year, Local School Districts shall pay the teacher retirement employer contribution rate for any eligible employee in accordance with rules and regulations established by the Teacher Retirement Board of Directors. The appropriation continued herein for Teacher Retirement Matching each fiscal year shall 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."~~

~~(10) 5. Provisions Concerning Employer Matching for Teacher Deferred Retirement Option Plan (T -DROP) Participants:~~

4. 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.
  - (a i) For member's 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
  - (b 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.
- ~~2. The monthly remittance of T-DROP employer contributions shall be due in the ATRS office by the tenth (10<sup>th</sup>) calendar day following the end of each month. Under Act 300 of 1993 (A.C.A. §24-7-411), a \$150 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15<sup>th</sup> day of the month or postmarked by the 14<sup>th</sup> day of the month due. If the 14<sup>th</sup> falls on Saturday, Sunday or a holiday, postmarked date is extended to the next working date.~~
- ~~3. The Arkansas Teacher Retirement System shall return to participating employers any amounts over paid in employer matching for T-DROP participants 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. The return of employer matching shall be done within three months (December 31) of the update (August 31) of end of the fiscal year 4<sup>th</sup> quarter reports.~~
- ~~4. Supplemental T-Drop salary payments for salaries earned on or after September 1, 2003, will be accompanied by the employer contributions due.~~

- 5.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.
- 6.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.

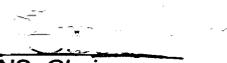
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ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201

**RESOLUTION**  
**No. 2004-24**

***BE IT RESOLVED*** that, pursuant to Board policy, the Board of Trustees of the Arkansas Teacher Retirement System approves increasing the Executive Director's salary to the line item maximum of \$127,600 established by the Arkansas General Assembly for fiscal year 2004-2005, effective July 1, 2004.

Adopted this 15<sup>th</sup> day of June 2004

  
\_\_\_\_\_  
LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

