

Summary of Proposed Rule Change

for
Arkansas Teacher Retirement System

Rule 9-2 Voluntary Retirement

Substantive changes

This rule change is necessary after the passage of Acts 293 and 780 of 2017 to maintain and provide a more flexible mechanism to protect the financial strength of ATRS and in order to protect its members.

First, this rule allows purchased and free credited service to be included in the calculation of credited service.

Next, the rule change also modified the existing right of the ATRS Board to reverse a compounded COLA as needed to maintain actuarial soundness. The Board may already reverse the 2009 compounding of a COLA. The reversal may include a chart or proxy formula to be applied for members that have complicated changes in their benefits due to divorce, remarriage, death of the member, or death of a spouse. This rule would allow the Board to phase in reversal to prevent a retiree from receiving a reduction of benefits at any time.

Finally, the rule reflects changes in a member's designated beneficiary as requested by the member.

Non-substantive changes

Minor modifications to improve clarity and consistency to language and numbering in the rule.

MARK-UP

RULE 9-2

AGE AND SERVICE (VOLUNTARY) RETIREMENT

A.C.A. § 24-7-502, A.C.A. §§ 24-7-701—707, and A.C.A. § 24-7-202 and 24-7-727 (unless otherwise noted)

REGULATIONS

1. I. RETIREMENT ELIGIBILITY

A. If eligible, any active or inactive member who attains age 60 and has five (5) or more years of actual and reciprocal service credit may voluntarily retire upon written application filed with the System.

B. If eligible, any active or inactive member who has not reached age 60 and has twenty-five (25) or more years of actual and reciprocal service credit, including purchased or free credited service, may voluntarily retire upon written application filed with the System.

C. In order to be eligible, a member must comply with the following requirements:

A.i. Satisfy the credited service requirements under one of the System's retirement statutes, A.C.A. §§ 24-7-701—707,

B.ii. Be credited with all required employer and member contributions in the member's deposit account with no amounts owed to the System,

C.iii. Pay all amounts owed to the System for underpayments or purchase service accounts; and

D.iv. Terminate employment with all participating employers or have reached age 65 or older.

2.II. BENEFITS

A. Benefits Formula

The retirement benefits payable shall be the total number of contributory years of credited service multiplied by 2.15% of the final average salary, plus the total number of noncontributory years of credited service multiplied by 1.39% of the final average salary, unless modified by the board as necessary to maintain actuarial soundness. (A.C.A. § 24-7-705 (b)(5)).

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B. Effective Date of Retirement Benefits (A.C.A. § 24-7-701)

If a member meets all eligibility requirements for retirement and is approved for retirement, annuity benefits shall be effective the month proposed by the member. If the member does not file an application at least one calendar month prior to the proposed effective retirement date, then that proposed retirement effective date cannot be used, and the member's effective retirement date shall be the following month.

If a member has signed an employment contract for the fiscal year and has been paid in full without providing service for the full period of the employment contract, the member's retirement effective date shall not be prior to July 1 of the subsequent fiscal year.

C. Compound Cost of Living Adjustment (A.C.A. § 24-7-727)

- i. ~~In the years that the Board elects to compound the COLA, the simple COLA shall not be payable. In a year the Board elects not to compound the COLA, the simple COLA under A.C.A. § 24-7-713 shall be given.~~ By Board resolution, as needed to maintain the actuarial soundness of the system, the Board may reverse a compound cost of living adjustment. A reversal may be phased in, as the Board determines appropriate.

D. Last Benefit Payment Upon Death

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

E. Change of marital status

If the marriage of the member legally ends for any reason, the member may choose to cancel the designation of the former spouse as the designated beneficiary. If the member so chooses, the member must file a change of option beneficiary on an ATRS approved form, and any change in the benefit amount shall become effective the month after receipt by ATRS of the approved form.

RULES

- 4.III. A member age 65 or older may apply for retirement benefits without terminating employment and may begin drawing benefits with no effect on the member's retirement benefit.

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2. IV. In addition to a complete retirement application, the following documents are mandatory documents and shall be submitted to ATRS within six (6) months of the effective date of retirement unless an extension is granted by ATRS:

A. Member elects a straight life annuity:

1.i. Proof of member's birthdate from a birth certificate or other authenticating documents.

2. ii. Proof of member's ~~tax payer~~ taxpayer identification number from a Social Security card or other authenticating documents.

B. Member elects Option A or Option B benefit with Spouse as the beneficiary:

1.i. Proof of member's birthdate from a birth certificate or other authenticating documents.

2.ii. Proof of member's ~~tax payer~~ taxpayer identification number from a Social Security card or other authenticating documents.

3.iii. Proof of spouse's birthdate from a birth certificate or other authenticating documents.

4.iv. Proof of spouse's ~~tax payer~~ taxpayer identification number from a Social Security card or other authenticating documents.

5.v. Proof of marriage between the member and spouse from a marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage.

C. Member elects Option A or Option B benefit with incompetent child as the beneficiary:

1. i. Proof of member's birthdate from a birth certificate or other authenticating documents.

2.ii. Proof of member's ~~tax payer~~ taxpayer identification number from a Social Security card or other authenticating documents.

3.iii. Adequate proof of the existence of a guardianship of the member's child due to incapacity that preexists the member's official retirement date. Authenticating documents may include the order appointing guardianship of the person, letters of guardianship or other adequate proof of the existence of the guardianship due to the incapacity of the member's child.

4.iv. Proof of child's ~~tax payer~~ taxpayer identification number from a Social Security card or other authenticating documents.

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D. Member elects Option C annuity:

4-i. Proof of member's birthdate from a birth certificate or other authenticating documents.

2-ii. Proof of member's ~~tax payer~~ taxpayer identification number from a Social Security card or other authenticating documents.

E. If the member elects an alternative residual beneficiary or beneficiaries in lieu of their spouse, the member shall submit, on a form provided and approved by ATRS, the names of the alternative residual beneficiary or beneficiaries along with the alternative residual beneficiary's or beneficiaries' birthdate from a birth certificate or other authenticating document approved by ATRS. The selection of an alternative residual beneficiary or beneficiaries allows the member's residue from T-DROP and/or the member's contributions to be paid in a lump sum to the alternative residual beneficiary or beneficiaries and a monthly retirement annuity shall not be paid.

F. The failure to submit a complete retirement application and any mandatory documents within a six-month period from the member's effective retirement date plus any extension granted by ATRS shall result in the retirement application being voided and of no effect. This rule on required documents applies to all retirement applications including retirement based upon age retirement, service retirement, early retirement, and disability retirement.

HISTORY

Amended: June 15, 2004
February 7, 2006
April 26, 2007
June 16, 2009 (Emergency)
October 5, 2009 (Permanent)
July 1, 2011 (Emergency)
Adopted: August 8, 2011
Effective: November 11, 2011
Approved by Board: July 26, 2013
Amended: October 9, 2013
Effective: November 8, 2013
Approved by Board: October 5, 2015
Amended: February 1, 2016
Effective: February 10, 2016

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- ii. Be credited with all required employer and member contributions in the member's deposit account with no amounts owed to the System,
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III. A member age 65 or older may apply for retirement benefits without terminating employment and may begin drawing benefits with no effect on the member's retirement benefit.

IV. In addition to a complete retirement application, the following documents are mandatory documents and shall be submitted to ATRS within six (6) months of the effective date of retirement unless an extension is granted by ATRS:

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- ii. Proof of member's taxpayer identification number from a Social Security card or other authenticating documents.
- B. Member elects Option A or Option B benefit with Spouse as the beneficiary:
 - i. Proof of member's birthdate from a birth certificate or other authenticating documents.
 - ii. Proof of member's taxpayer identification number from a Social Security card or other authenticating documents.
 - iii. Proof of spouse's birthdate from a birth certificate or other authenticating documents.
 - iv. Proof of spouse's taxpayer identification number from a Social Security card or other authenticating documents.
 - v. Proof of marriage between the member and spouse from a marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage.
- C. Member elects Option A or Option B benefit with incompetent child as the beneficiary:
 - i. Proof of member's birthdate from a birth certificate or other authenticating documents.
 - ii. Proof of member's taxpayer identification number from a Social Security card or other authenticating documents.
 - iii. Adequate proof of the existence of a guardianship of the member's child due to incapacity that preexists the member's official retirement date. Authenticating documents may include the order appointing guardianship of the person, letters of guardianship or other adequate proof of the existence of the guardianship due to the incapacity of the member's child.
 - iv. Proof of child's taxpayer identification number from a Social Security card or other authenticating documents.
- D. Member elects Option C annuity:
 - i. Proof of member's birthdate from a birth certificate or other authenticating documents.
 - ii. Proof of member's taxpayer identification number from a Social Security card or other authenticating documents.

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E. If the member elects an alternative residual beneficiary or beneficiaries in lieu of their spouse, the member shall submit, on a form provided and approved by ATRS, the names of the alternative residual beneficiary or beneficiaries along with the alternative residual beneficiary's or beneficiaries' birthdate from a birth certificate or other authenticating document approved by ATRS. The selection of an alternative residual beneficiary or beneficiaries allows the member's residue from T-DROP and/or the member's contributions to be paid in a lump sum to the alternative residual beneficiary or beneficiaries and a monthly retirement annuity shall not be paid.

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