I. Definitions

A. "Back Contributions" means mandatory contributions payable for service and salary rendered in a covered position within the ATRS look-back period.

B. "Private School Service" as defined in A.C.A. § 24-7-607, additionally, employment under the Head Start Programs will also be considered private school service and will have the same requirements for the issuance of teaching licenses by the Arkansas State Department of Education as determined by ATRS staff.

II. Purchase of Service Credit/Repayment of Refunds - General

A. The Arkansas Code § 24-7-601 et seq. allows a member to purchase various types of service and credit that service to the member under certain circumstances. It sets forth the service purchases available and the cost mechanism to be used in service purchases. The various types of service that can be purchased and the definitions for these are in the Arkansas Code. Unless greater explanation is required, the code's provisions are self-effecting without the need to be placed in the policy.

B. Actuarial cost for purchase of service does not include adjustments to salary and service that are made in order to properly reflect the member's mandatory salary and service records. In addition, the actuarial cost of service does not apply to free military service credit that is established with ATRS.

C. The actuarial cost for purchase of service shall use the member's highest salary year as the formula's "base year." The base year shall always be the member's highest salary year unless the highest salary year is more than 150% greater than the next highest salary year. In that case, event, the best two (2) salary years shall be added together and divided by two (2) to establish the base year for the formula.

D. If a member does not have sufficient full service years to establish the base year for the purchase formula, then each partial year's service percentage shall be divided into each partial year's salary to establish a full year salary from the partial year salary to determine the base year for the formula.

E. Salaries for actuarially purchased service shall not be used in the calculation of final average salary except for repaid refunds for mandatorily
reported service within the refunded service.

F. All actuarially purchased service shall be purchased as contributory.

G. Members seeking to purchase service with ATRS shall use forms developed by ATRS staff to establish the service.

H. All service purchases must be accompanied by a service purchase commitment statement. Once the service purchase stated on the service purchase commitment statement is paid in full, the service purchase is final and may not be cancelled by the member.

I. If an active member with an active purchase account dies, the member's spouse, ATRS beneficiary, or legal representative shall have up to six (6) months to pay the balance of the purchase account. If the purchase account is not paid in full within six (6) months of the date of death, the purchase account is cancelled and any payments shall be treated as part of the member's residual account balance. ATRS may extend the six (6) month period for good cause shown.

III. Special Provisions for the Repayment of Refunded Member Contributions

A. To be eligible to repay a refund, a person must be an active member of ATRS. A person who has received a refund may reestablish active membership by completing forty (40) days or more after reemployment by an ATRS covered employer.

B. A member must purchase the total credited service forfeited by the refund in order to purchase the refunded service.

C. 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 a previous refund account can be purchased.

IV. Refunds of Member Contributions

A. Should an overpayment of contributions of less than $25.00 be reported from the local level, no ATRS will not refund of an overpayment of a member's or employer's contribution that is equal or less than the de minimus this amount remitted to ATRS will be made to the member, except upon the written request from the member. The total amount reported by the employing authority shall be credited to contributions. The board shall periodically set the de minimus amount by board resolution, which shall remain until adjusted by the board.

B. On refunded contributions, the rate of interest compounded annually after the first year of contributions is credited as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Interest Rate</th>
</tr>
</thead>
</table>

8-2
<table>
<thead>
<tr>
<th>Before July 1, 1984</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>For July 1, 1984 through June 30, 2009</td>
<td>6%</td>
</tr>
<tr>
<td>For July 1, 2010, through June 30, 2011</td>
<td>2%</td>
</tr>
<tr>
<td>For July 1, 2012, through June 30, 2017</td>
<td>1%</td>
</tr>
<tr>
<td>For July 1, 2017 and after</td>
<td>0.08%</td>
</tr>
</tbody>
</table>

C. Payable interest shall be computed on each member's individual account on June 30 each year by multiplying the balance in the member's individual account as of July 1 (including all contributions and interest credit from previous years) plus one-half (1/2) of the contributions for the year ending on June 30 by the annual applicable interest percentage rate.

D. The Board may by board resolution change the interest rate on refunded contributions for future years by Resolution stating the new interest rate, the date that the new interest rate will become effective, and any other features of the interest rate's implementation.

E. Regular interest is not paid on contributions made in the year in which a refund is paid.

F. As of July 1, 2012, ATRS no longer requires a hardship in order to pay a refund in no more than two payments on a direct payment to the member. Upon receipt of a properly completed refund application, ATRS will issue a refund for all any member contributions that have been closed on the books of ATRS upon receipt of a properly completed refund application. Any amount due in If a second payment is required to complete the refund, the payment will be made when all quarters of service the member worked are closed on the books of ATRS. Rollovers will be made in one payment when all quarters of service worked have been closed on the books of ATRS.

G. The effective date of a refund is the date that ATRS first issues payment of a refund.

V. Rollover Acceptance and Distribution

A. Accepting Rollovers for Payment on ATRS Purchase Accounts
   ATRS will accept participant rollover contributions and/or direct rollovers for the purchase of service credit from qualified retirement plans as set forth in the Arkansas Code.

B. Rollover Eligibility of ATRS Distributions
   The depository trustee from the qualified retirement plan shall certify to the System ATRS that the rollover deposit account is "qualified" and eligible to receive rollover distributions prior to a distribution being rolled over of a member's account monies. If the depository trustee cannot certify the
eligibility status, ATRS will accept a certification from a currently licensed certified public accountant who has an active certified public accountant's license. The certification may not be made by a certified public accountant if the certified public accountant has an interest in the account as a member, spouse, or designated beneficiary.

VI. Purchase Payment Rules

A. Prior to July 1, 2011, any service purchase commitment statement provided by a member to ATRS constitutes an agreement between ATRS and the member for ATRS to allow the member to complete the service purchase stated on the commitment form unless withdrawn or cancelled by the member. A purchase account established prior to July 1, 2011 must have an approved Purchase Account Commitment Statement on file with ATRS that details the member's payment plan. The Purchase Account Commitment Statement may be modified by agreement of ATRS and the member. Failure of a member who fails to complete the terms of the service purchase agreement authorizes ATRS to cancel the agreement. However, a service purchase commitment may be modified in terms of Modifications of the Purchase Account Commitment Statement may include types of payment, duration, and the decrease of the service being purchased consistent with ATRS law and policy, except the service being purchased under a Purchase Account Commitment Statement cannot be increased and any decrease must otherwise be in compliance with ATRS law and policy.

B. An agreement to complete payment of purchase account shall exist upon acceptance tender of the initial payment to ATRS.

VII. Cancellation of Purchase Service Accounts

A. An established purchase account may be cancelled if the request is submitted in writing by the member and approved by ATRS. 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 is completed, (b) the member terminates employment, or (c) the member retires.

B. The cancelled purchase account may be refunded under certain conditions:

1. Accounts paid only with after-tax contributions can be returned to the member.

2. Accounts paid only with employer pick-up contributions cannot be returned to the member unless the member terminates employment or retires.

3. Accounts paid only with rollover/transfer contributions after deduction
and payment of federal taxes, may be rolled to another qualified plan or refunded to the member minus federal taxes, if after deduction and payment of federal taxes.

4. Accounts paid with a combination of after-tax and rollover/transfer may be refunded.

C. Purchase account payments made through employer pick-up (Irrevocable Payroll Authorization) cannot be canceled until:

1. The number of payments on the Irrevocable Payroll Authorization is completed; or
2. The member terminates employment; or
3. The member retires.

D. A purchase account that has been paid in full upon the tender of a final payment cannot be canceled.

VIII. Free Military Service

A member of ATRS who entered the Armed Forces of the United States between July 1, 1937, and June 30, 1973, or during a period that a federal military draft is in effect, may establish that military active duty service as service in ATRS without cost, provided the following conditions are met:

A. Service Established active duty service must be based upon the service required for the initial enlistment. Reenlistment or voluntary extension of the initial enlistment is not considered compulsory and shall not be allowed as service credit.

B. Military service credit shall not exceed five (5) years, and the years to be credited shall be those chronologically closest to the teaching ATRS-covered employer service.

C. Crediting of ATRS will credit military service will require upon the completion of Form M-1, provided by ATRS, and official military documents listing the entry and discharge dates of the first enlistment or induction.

D. The member must have received an honorable discharge.

E. All military service credited prior to July 1, 1986, is contributory service.

F. Military service credit may be established at any time after becoming a member of ATRS but official crediting shall be effective upon completion of five (5) years of actual service in ATRS, excluding military service credit.

IX. Purchase of Federal Retirement Service

A. An active member shall be eligible to purchase federal retirement service credit under the following conditions:
1. Federal retirement service eligible for credit purchase is limited to service for which no benefit is payable from the federal retirement system in which he or she had previously been a member.

2. Federal retirement service credit purchased shall be limited to ten (10) years.

B. The cost to purchase federal retirement service credit is actuarial cost determined by ATRS.

C. The federal retirement service will become credited service in ATRS when:

1. The member payments have been paid in full; and

2. The member has established five (5) or more years of actual service in ATRS exclusive of federal retirement service.

D. Should a member cease to be an active member before the federal retirement service has been established as ATRS credited service, the member payments contributed, together with regular interest shall be refundable, together with regular interest; however, due to IRS regulations, purchase account payments made through employer pick-up are subject to the restrictions as stated in this rule and applicable IRC code or regulations.

E. To be eligible to establish one (1) year of federal retirement service credit, a minimum of one hundred sixty (160) days must have been worked by the member. Fractional years of federal service may be purchased in accordance with A.C.A. §§ 24-7-601 and 24-1-107. A month of federal service shall be considered as twenty (20) days.

F. Certification of federal retirement service must be submitted to ATRS on a form provided by ATRS.

G. All federal retirement service credit shall be counted as contributory service.

H. Purchased federal retirement credited service shall be credited to the fiscal year in which it was rendered.

I. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances under this rule.

X. Service Credit Accrual Contract Buyouts, Settlements, and Court Ordered Payments

A. For contract buyouts and settlements or court ordered payments to a member, service credit is only allowed to accrue for actual on-site work for the covered employer by the member. Unless service or salary is purchased for service the member would have received if the member had not been terminated, a member may only accrue service credit for actual.
on-site work for a covered employer for any period of time represented in a contract buyout, settlement, or court ordered payment. Such purchased service or salary will be purchased at actuarial cost for service and salary the member would have earned had the member not been terminated. However, if the member is not subject to either a contract buyout, settlement, or court ordered payment, salary paid to the member as a regular employee, as if the member were providing services, shall be credited for salary and service purposes to the member if the member is on call to the employer; however, such on call credit may not be stacked with salary at another ATRS employer.

B. In order to accrue service credit during a period of time that is redressed in a contract buyout or other court-ordered payment of salary, or salary and benefits, the member shall perform on-site work for the covered employer. ATRS shall not adjust a benefit or benefit calculation member's service history for a member until the covered employer or benefit participant member provides a copy of the court order or settlement, or a certified copy of the contract buyout, to ATRS, and the full cost to purchase has been received.

XI. Adjustment of Benefit

ATRS shall not adjust a benefit or benefit calculation for a member until the covered employer or benefit participant provides a certified copy of the court-order payment or settlement to ATRS, or if a contract buyout, a certified copy of the contract buyout.