

**QUESTIONNAIRE FOR FILING PROPOSED RULES AND REGULATIONS
WITH THE ARKANSAS LEGISLATIVE COUNCIL AND JOINT INTERIM COMMITTEE**

DEPARTMENT/AGENCY Arkansas Teacher Retirement System
DIVISION Administration
DIVISION DIRECTOR George Hopkins
CONTACT PERSON Laura Gilson, General Counsel
ADDRESS 1400 West Third Street, Little Rock, AR 72201
PHONE NO. 501-682-1266 FAX NO. 501-682-6326 E-MAIL laurag@artts.gov
NAME OF PRESENTER AT COMMITTEE MEETING George Hopkins
PRESENTER E-MAIL georgeh@artts.gov

INSTRUCTIONS

- A. Please make copies of this form for future use.
- B. Please answer each question completely using layman terms. You may use additional sheets, if necessary.
- C. If you have a method of indexing your rules, please give the proposed citation after "Short Title of this Rule" below.
- D. Submit two (2) copies of this questionnaire and financial impact statement attached to the front of two (2) copies of the proposed rule and required documents. Mail or deliver to:

Donna K. Davis
Administrative Rules Review Section
Arkansas Legislative Council
Bureau of Legislative Research
Room 315, State Capitol
Little Rock, AR 72201

1. What is the short title of this rule? Cash and Savings Help Program for Members (Rule 16-1)

2. What is the subject of the proposed rule? A voluntary buyout for non-contributory members in exchange for their membership

3. Is this rule required to comply with a federal statute, rule, or regulation? Yes No
If yes, please provide the federal rule, regulation, and/or statute citation.

4. Was this rule filed under the emergency provisions of the Administrative Procedure Act? Yes No
If yes, what is the effective date of the emergency rule? _____

When does the emergency rule expire? _____

Will this emergency rule be promulgated under the permanent provisions of the Administrative Procedure Act? Yes No

5. Is this a new rule? Yes No

If yes, please provide a brief summary explaining the regulation.

The attached summary explains the new Rule.

Does this repeal an existing rule? Yes No

If yes, a copy of the repealed rule is to be included with your completed questionnaire. If it is being replaced with a new rule, please provide a summary of the rule giving an explanation of what the rule does.

Is this an amendment to an existing rule? Yes No

If yes, please attach a mark-up showing the changes in the existing rule and a summary of the substantive changes. **Note: The summary should explain what the amendment does, and the mark-up copy should be clearly labeled "mark-up."**

6. Cite the state law that grants the authority for this proposed rule?

If codified, please give Arkansas Code citation.

Act 606 of 2013

7. What is the purpose of this proposed rule? Why is it necessary?

This is an opportunity for non-vested, non-contributory members to receive a cash value for their service in exchange for their future membership rights.

8. Please provide the address where this rule is publicly accessible in electronic form via the Internet as required by Arkansas Code § 25-19-108(b).

www.artrs.gov

9. Will a public hearing be held on this proposed rule? Yes No

If yes, please complete the following:

Date: _____

Time: _____

Place: _____

10. When does the public comment period expire for permanent promulgation? (Must provide a date.)

August 29, 2013

11. What is the proposed effective date of this proposed rule? (Must provide a date.)

December 1, 2013

12. Do you expect this rule to be controversial? Yes No

If yes, please explain.

13. Please give the names of persons, groups, or organizations that you expect to comment on these rules? Please provide their position (for or against) if known.

N/A

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Arkansas Teacher Retirement System

DIVISION Administration

PERSON COMPLETING THIS STATEMENT Laura Gilson

TELEPHONE NO. 501-682-1266 **FAX NO.** 501-682-6326 **EMAIL:** laurag@artrs.gov

To comply with Act 1104 of 1995, please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Cash and Savings Help Program for Members (Rule 16-1)

1. Does this proposed, amended, or repealed rule have a financial impact? Yes No
2. Does this proposed, amended, or repealed rule affect small businesses? Yes No
If yes, please attach a copy of the economic impact statement required to be filed with the Arkansas Economic Development Commission under Arkansas Code § 25-15-301 et seq.

3. If you believe that the development of a financial impact statement is so speculative as to be cost prohibited, please explain.

N/A

4. If the purpose of this rule is to implement a federal rule or regulation, please give the incremental cost for implementing the rule. Please indicate if the cost provided is the cost of the program.

Current Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____
Total _____

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____
Total _____

5. What is the total estimated cost by fiscal year to any party subject to the proposed, amended, or repealed rule? Identify the party subject to the proposed rule and explain how they are affected.

Current Fiscal Year

\$ _____

Next Fiscal Year

\$ _____

6. What is the total estimated cost by fiscal year to the agency to implement this rule? Is this the cost of the program or grant? Please explain.

Current Fiscal Year

\$ _____

Next Fiscal Year

\$ _____

Summary of Proposed Rule Change
for
Arkansas Teacher Retirement System

Rule 16-1 Cash and Savings Help Program for Members

This rule is authorized under Act 606 of 2013. This rule limits the first offering of a buyout to inactive, vested members who have exclusively noncontributory service. This recommendation is made after comparing the available funds and the financial benefit to ATRS within the inactive vested members while taking into consideration the additional staff loads that the program will place on benefits and counseling staff, reporting staff, and payroll staff. The inactive vested members include over 7,000 exclusively noncontributory members. A formula was developed to determine the present value of each member's benefit

16-1
CASH AND SAVINGS HELP PROGRAM
FOR MEMBERS

A.C.A. § 24-7-505 & A. C. A. § 24-7-707(a)(1)

I. This plan is called the "Cash and Savings Help Program (CASH Program).

II. **AUTHORITY**

This rule is promulgated under the authority granted in Act 606 of 2013.

III. **PURPOSE and SCOPE**

A. The purpose of this Rule is to allow members an opportunity to receive a one-time lump sum cash payment in exchange for terminating their membership in ATRS. The benefit offering under this Rule shall be known as the "CASH Program". The one time lump sum cash payment shall be known as "CASH Program payment". The tender of the CASH Program payment by ATRS extinguishes any service credit or future retirement benefit from ATRS to the member that would have been based upon the member's service, and for all purposes "buys out" the membership, the retirement benefit rights, and all future rights in the system of the member.

B. The opportunity for a CASH Program payment is available only under this Rule and only for a specific and temporary period of time to a specific category of members. The CASH Program payment is calculated under a formula that is unique to that category of members and is applicable for the offering period exclusively.

C. ATRS is under no obligation to extend the offer or to make a future, similar offer. Terms, rules and rights for any CASH Program under a specific offering period do not apply to a subsequent CASH Program offering.

D. This CASH Program is only applicable to ATRS members for their ATRS service. Reciprocal service shall not be eligible for the CASH Program nor shall the member combine reciprocal service with ATRS service in order to qualify for the CASH Program.

E. The ATRS Board may target a CASH Program offering to a certain category of members within ATRS.

F. A Cash Program payment may be made to a member by a check mailed to the member's address. A CASH Program payment may also be directly rolled over into a qualifying retirement plan under § 24-7-719, at the direction of the member. ATRS shall only roll over the CASH Program payment into one qualifying plan.

G. i. The Board shall set the dates for any offering period. To qualify for the CASH Program payment in a specific offering period, the member shall deliver the CASH Program Election Form to ATRS before the end of the offering period.

ii. A CASH Program Election Form that is postmarked after the offering period deadline is invalid. If sent by facsimile, the date stamp shall be before the offering period deadline. If sent as an attachment to an e-mail, the email shall be sent before the offering period deadline.

iii. The Board may re-offer a previously expired buyout plan or may extend the duration of a current offering through a resolution adopted by the Board at a meeting of the Board.

H. While ATRS may make reasonable efforts to contact members eligible for the CASH Program, ATRS is under no duty to contact members, to verify the accuracy of the addresses, or to confirm receipt of the offer by the member, to confirm receipt of the election form by members, or to confirm receipt by ATRS of the CASH Program Election Form from members.

IV. THE CASH PROGRAM ELECTION FORM

A. To participate in the CASH Program, a member shall submit a CASH Program Election Form to ATRS during the offering period. The CASH Program Election Form shall be completed in its entirety by the member in order to be accepted as a valid CASH Program Election Form.

B. The CASH Program Election Form shall include the following:

i. A statement, signed by the member, that the member understands the purpose and scope of the CASH Program, and once ATRS tenders payment of CASH Program payment, the CASH Program Election Form may not be withdrawn.

- ii. A member who participates in the CASH Program plan shall receive a one-time lump sum payment from ATRS that cancels the member's interest in any retirement benefit and all future rights in ATRS effective upon tender of payment by ATRS.
- iii. The signature of the member ; and
- iv. The date.
- C. The CASH Program Election Form shall be made available to members using standard ATRS procedures.
- D. ATRS is not required to accept any CASH Program Election Form that is not received during the offering period in the manner prescribed in this Rule.
- E. ATRS is not responsible for the member's receipt of a CASH Program Election Form, regardless of the manner in which it is requested.
- F. The member is exclusively responsible for obtaining and submitting the CASH Program Election Form as required under this Rule.
- G. ATRS shall determine if the member is qualified to receive a CASH Program payment. Only qualifying members may receive the CASH Program payment and any erroneous delivery of a CASH Program Election Form by ATRS to a member does not establish a right to payment.

THE 2013 CASH PROGRAM FOR INACTIVE, VESTED, EXCLUSIVELY NONCONTRIBUTORY MEMBERS

V. APPLICABLE TO VESTED, NONCONTRIBUTORY MEMBERS ONLY

- A. This offering is limited to vested, exclusively non-contributory members that are inactive. The CASH Program payment, once the CASH Program Election Form is properly submitted to ATRS, will be paid within a reasonable time or rolled out to another administrator at the direction of the member. The acceptance of a CASH Program payment by the member does not make the member a retiree.

- B. This offering is limited to members of ARTS who:
- i. Have vested, exclusively noncontributory service credited in ATRS; and
 - ii. Are currently inactive and have remained inactive for at least one (1) year after the last fiscal year that the member rendered actual service to a covered employer, but not retired, during the offering period set forth in the Rule, and whose membership in ATRS is exclusively noncontributory.

VI. THE OFFERING PERIOD

The offering period for this CASH Program opportunity begins upon the effective date of these Rules and ends June 30, 2014, unless extended by the Board through a properly adopted resolution.

VII. THE CASH PROGRAM FORMULA

- A. Final Average Salary is defined under A.C.A. § 24-7-202(15) and calculated using the formula set in A.C.A. § 24-7-736.
- B. The member's age shall be determined on the date the CASH Program Election Form is received by ATRS.
- C. The CASH Program Payment is calculated on the following formula:

Step 1: (Final Average Salary) x (Years and partial years of Non-contributory Service) x (ATRS Non-contributory multiplier of .0139%) + (\$900.00 if the member has more than 10 years of Service) = Assumed Annual Benefit

Step 2: Assumed Annual Benefit ÷ 12 = Assumed Monthly Benefit Amount.

Step 3: Assumed Monthly Benefit Amount x Applicable Accrued Liability Factor for the Member as listed in the Accrued Liability Factor Table = Assumed Current Value.

Step 4: Assumed Current Value x 30% (.30) = CASH Program payment.

VIII. ACCRUED LIABILITY FACTOR TABLE

Sample Attained Ages	Accrued Liability Factor	Sample Attained Ages	Accrued Liability Factor
20	6.97	60	156.92
21	7.53	61	154.09
22	8.13	62	151.18
23	8.79	63	148.18
24	9.49	64	145.12
25	10.25	65	141.98
26	11.07	66	138.76
27	11.96	67	135.50
28	12.92	68	132.15
29	13.96	69	128.70
30	15.08	70	125.17
31	16.29	71	121.55
32	17.60	72	117.85
33	19.01	73	114.07
34	20.54	74	110.20
35	22.19	75	106.28
36	23.98	76	102.30
37	25.91	77	98.25
38	28.00	78	94.21
39	30.26	79	90.17
40	32.70	80	86.13
41	35.33	81	82.11
42	38.19	82	78.14
43	41.27	83	74.24
44	44.61	84	70.37
45	48.21	85	66.60
46	52.11	86	62.92
47	56.33	87	59.38
48	60.90	88	56.07
49	65.83	89	52.97
50	71.18	90	50.09
51	76.95		
52	83.21		
53	89.99		
54	97.35		
55	105.31		
56	113.97		
57	123.39		
58	133.63		
59	144.78		

Approved by Board: July 26, 2013

Adopted:

Effective:

16-1
CASH AND SAVINGS HELP PROGRAM
FOR MEMBERS

A.C.A. § 24-7-505 & A. C. A. § 24-7-707(a)(1)

I. This plan is called the "Cash and Savings Help Program (CASH Program).

II. AUTHORITY

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- A. The purpose of this Rule is to allow members an opportunity to receive a one-time lump sum cash payment in exchange for terminating their membership in ATRS. The benefit offering under this Rule shall be known as the "CASH Program". The one time lump sum cash payment shall be known as "CASH Program payment". The tender of the CASH Program payment by ATRS extinguishes any service credit or future retirement benefit from ATRS to the member that would have been based upon the member's service, and for all purposes "buys out" the membership, the retirement benefit rights, and all future rights in the system of the member.
- B. The opportunity for a CASH Program payment is available only under this Rule and only for a specific and temporary period of time to a specific category of members. The CASH Program payment is calculated under a formula that is unique to that category of members and is applicable for the offering period exclusively.
- C. ATRS is under no obligation to extend the offer or to make a future, similar offer. Terms, rules and rights for any CASH Program under a specific offering period do not apply to a subsequent CASH Program offering.
- D. This CASH Program is only applicable to ATRS members for their ATRS service. Reciprocal service shall not be eligible for the CASH Program nor shall the member combine reciprocal service with ATRS service in order to qualify for the CASH Program.

- E. The ATRS Board may target a CASH Program offering to a certain category of members within ATRS.
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 - E. ATRS is not responsible for the member's receipt of a CASH Program Election Form, regardless of the manner in which it is requested.
 - F. The member is exclusively responsible for obtaining and submitting the CASH Program Election Form as required under this Rule.
 - G. ATRS shall determine if the member is qualified to receive a CASH Program payment. Only qualifying members may receive the CASH Program payment and any erroneous delivery of a CASH Program Election Form by ATRS to a member does not establish a right to payment.

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28	12.92	68	132.15
29	13.96	69	128.70
30	15.08	70	125.17
31	16.29	71	121.55
32	17.60	72	117.85
33	19.01	73	114.07
34	20.54	74	110.20
35	22.19	75	106.28
36	23.98	76	102.30
37	25.91	77	98.25
38	28.00	78	94.21
39	30.26	79	90.17
40	32.70	80	86.13
41	35.33	81	82.11
42	38.19	82	78.14
43	41.27	83	74.24
44	44.61	84	70.37
45	48.21	85	66.60
46	52.11	86	62.92
47	56.33	87	59.38
48	60.90	88	56.07
49	65.83	89	52.97
50	71.18	90	50.09
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