

**RULE 4-1**  
**BOARD OF TRUSTEES COMPOSITION AND  
ELECTIONS**

A.C.A. § 24-7-301

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The general administration and proper operation of the System is vested in the Board of Trustees that consists of eleven (11) elected members and four (4) ex-officio members. Pursuant to ACA § 24-7-301, the Board shall adopted rules and regulations regarding the election of trustees and vacancies.

**I. GENERAL RULES FOR CANDIDACY AND VOTING IN TRUSTEE  
ELECTIONS**

- A. For purposes of eligibility for an active member trustee position and voting, "active members" shall mean active members as defined in § 24-7-202 (2) and members participating in T-DROP, if employed by a participating employer and receiving T-DROP plan deposits.
- B. If a candidate is employed in more than one position with a participating employer(s), eligibility shall be determined based on his/her primary position for which he/she receives the greater percentage of covered salary.
- C. For purposes of eligibility for an administrator trustee position or voting for that position, "administrator" shall mean a public school superintendent, assistant superintendent, principal, or vice-principal; a higher education president, chancellor or director; or a community college, vocational/technical or educational cooperative director, president, or vice president, who is employed by a participating employer OR any employee of an education related agency participating in ATRS that is employed in a position grade C127 or higher, including unclassified employees.
- D. For purposes of eligibility for a licensed trustee position or voting for that position, "licensure" shall mean a person employed in a position requiring state teaching licensure or an education institution grade C117-C126 and not an administrator.
- E. For purposes of eligibility for a nonlicensed trustee position and voting for that position, "nonlicensed" shall mean employed in a position with a participating employer that does not require state licensure including employment of an educationally related agency in a position Grade C116 or below. Nonlicensed shall not include any position defined as an administrator or licensure.

- F. Only members are authorized to vote in a trustee election. Guardians, attorneys-in-fact, or others may not vote on behalf of a member.
- G. Terms not defined in these rules shall have the meaning set forth in Arkansas Code § 24-7-202 *et. seq.*
- H. An employee working for ATRS is not eligible to be elected to the board, appointed to the board, or be a candidate to be elected or appointed to the board.

## II. QUALIFICATION AND VOTER ELIGIBILITY FOR ELECTED TRUSTEE POSITIONS

There shall be four (4) active member trustees each of whom will represent one of the four congressional districts in Arkansas.

### A. Active Member Trustee Position Nos. 1-4 - Congressional Districts

#### 1. Qualifications for Candidacy

- i. Active member with a minimum of five (5) years of actual service.
- ii. Employed by a participating employer located in the congressional district for which he/she is seeking election.
- iii. Employed in a position requiring state teaching licensure or the equivalent under these rules.

#### 2. Eligible Voters for Trustee Positions Nos. 1-4

Active members, regardless of credited service, employed by participating employers located in the respective congressional districts and who are otherwise eligible to be a candidate under subsection (IIA iii) above.

### B. Active Administrator Trustee Positions Nos. 5 - 6

There shall be two (2) active member trustees each of whom must be employed as administrators as defined in these rules.

#### 1. Qualifications for candidacy:

- i. Active member with a minimum of five (5) years of actual service.

- ii. Candidates for Position No. 5 shall be licensed administrators employed as Arkansas school superintendents by a participating employer.
- iii. Position No. 6 shall be licensed administrators employed by a participating employer.

2. Eligible Voters for Trustee Positions Nos. 5-6

Eligible voters for Position No. 5 and 6 shall be active members, regardless of credited service, employed as licensed administrators.

**C. Nonlicensed Trustee Position No. 7**

1. Qualifications for candidacy:

- i. Active member with a minimum of five (5) or more years of actual service.
- ii. Employed in a position not requiring state licensure.

2. Eligible Voters for Trustee Position No. 7

Eligible voters for Position No. 7 shall be all active members, regardless of credited service, who are employed by participating employers in non- licensed positions as defined these rules.

**D. Minority Trustee Position No. 8**

There shall be one (1) member trustee of a minority racial ethnic group.

I. Qualifications for candidacy:

- i. An Active or retirant member of ATRS
- ii. Member of a minority racial or ethnic group

2. Eligible Voters for Position No. 8

- i. All active members, regardless of credited service
- ii. Retirant members

**E. Retired Member Trustees (At - Large) - Position Nos. 9-11**

There shall be three (3) retired member trustees who shall be "retirants" under A.C.A. § 24-7-202 (25).

1. Qualifications for Candidacy
  - i. Retirant member of ATRS
  - ii. Resident of the State of Arkansas
2. Eligible Voters for Position Nos. 9-11

All retirants of ATRS, regardless of present employment status or residency.

**Amended:** April 26, 2007  
February 11, 2008  
December 18, 2009

**Approved by Board:** October 5, 2015

**Amended:** \_\_\_\_\_

**Effective:**

## **RULE 5-4** **INVESTMENT GOALS**

A.C.A. §§ 24-2-610-619

The overall goal is to achieve, over a period of years, the greatest rate of return for the System ATRS with due consideration being given to preserving capital and its purchasing power and to maintaining an element of risk at a prudent investor level. by balancing risk at a prudent investor level to grow and preserve capital sufficient to pay benefits to members.

The Board may adopt or amend by motion or resolution at any board meeting the ATRS investment policies, investment procedures, and investment asset allocation targets consistent with the Board's fiduciary obligations under the prudent investor rule. ATRS sets performance goals that are approved by the Board after considering recommendations by the General Consultant and ATRS staff.

The System's actuary sets an expected return based on the Board's policy decisions. Market cycles may result in the ARTRS System earning a return materially above or below the actuarial rate of return for extended periods of time. Therefore, the actuarial rate of return will not be used for performance comparison purposes.

### **TOTAL SYSTEM PERFORMANCE GOALS**

Specific investment goals for the Retirement System are:

1. ~~To achieve a weighted average of the asset allocation (shown above) based on an appropriate broad market index that best represents investments in that particular asset class. The asset categories, targets, and benchmarks will change over time pursuant to Board action. The current targets and asset class benchmarks are as follows:~~

<b>Asset Category</b>	<b>Target</b>	<b>Benchmark</b>
Domestic Equity	40.0%	Wilshire 5000 Index
International Equity	17.5%	MSCI All Country World Ex-U.S. Index
Fixed Income	25.0%	Lehman Bros. Universal Bond Index
Alternatives	6.0%	Wilshire 5000 Index plus 2.0% per annum
Real Estate	5.0%	The NCREIF Nat'l Property Index
Timberland	1.5%	The Southeast Timberland NCREIF Index

AR-Related Investments	5.0%	The Lehman Mortgage Index
Cash Equivalents	0.0%	90 Day Treasury Bills

~~2. To rank above the median in a universe of similar public funds.~~

**Adopted:** October 7, 2003

**Approved by Board:** October 5, 2015

**Amended:**

**Effective:**

**RULE 5-5**  
**INVESTMENT STRATEGY**

A.C.A. §§ 24-2-610-619

**DOMESTIC EQUITY**

~~The Board has adopted a multiple manager equity investment strategy to increase diversification and enhance total rate of return.~~

~~The manager structure of the domestic equity portfolio's risk and style exposure should resemble the aggregate domestic equity market as measured by the Wilshire 5000 Index. To help achieve this goal, the Board will employ managers utilizing various or multiple capitalization (small, mid, and large) and investment styles (growth and value) so that the overall size and capitalization structure of the total component will approximate that of the broad market. To provide a broad base of low cost diversification, the Board will allocate a portion of the domestic equity assets to a passive investment portfolio that approximates the return of the broad domestic equity market.~~

~~Domestic Equity Active/Passive Allocation (as a percent of the domestic equity portfolio)~~

	Minimum	Target	Maximum
Active Component	50%	70%	90%
Passive Component	40%	30%	50%

~~The investment consultant will provide an annual report to the Board on the overall absolute and relative risk of the domestic equity component versus the broad market.~~

~~The goal for domestic equity investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate domestic equity market as measured by the Wilshire 5000 Index over a full market cycle (approximately five years).~~

**INTERNATIONAL EQUITY**

~~The Board has adopted a multiple manager international equity investment strategy to increase diversification and enhance total rate of return.~~

~~The manager structure of the aggregate international equity portfolio's risk and style exposure should resemble the aggregate international equity market as measured by the Morgan Stanley Capital International All Country World Ex U.S. Index. To help achieve this goal, the Board will employ managers that invest in a broad array of countries (both developed and emerging markets), capitalization~~

~~(small, mid, and large), and style (growth and value) so that the overall style and capitalization structure of the total component will approximate that of the broad international market. An active management strategy for international equity investments will be used.~~

~~The investment consultant will provide an annual report to the Board on the overall absolute and relative risk of the international equity component versus the broad market.~~

~~The goal for international equity investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate international equity market as measured by the Morgan Stanley Capital International All Country World Ex-U.S. Index over a full market cycle (approximately five years).~~

### **FIXED INCOME**

~~The Board has adopted a multiple manager fixed income investment strategy to increase diversification and enhance total rate of return.~~

~~The manager structure of the aggregate fixed income portfolio's risk exposure should resemble the aggregate domestic fixed income market as measured by the Lehman Brothers Universal Bond Index. To help achieve this goal, the Board will employ managers that invest assets in a broad array of sectors (government, mortgage backed, credits, asset backed, and commercial mortgage backed bonds), maturities, and credit qualities so that the overall portfolio structure is not materially different from that of the domestic fixed income market. To provide a broad base of low cost diversification, the Board will allocate a portion of the fixed income assets to a passive investment portfolio that approximates the return of the broad fixed income market.~~

~~Fixed Income Active/Passive Allocation (as a percent of the fixed income portfolio)~~

	Minimum	Target	Maximum
Active Component	85%	90%	95%
Passive Component	5%	10%	15%

~~The investments consultant will provide an annual report to the Board on the overall absolute and relative risk of the fixed income component versus the broad market.~~

~~The goal for fixed income investments shall be to achieve a total rate of return that will exceed, net of all costs and fees, the return of the aggregate domestic~~



~~fixed income market as measured by the Lehman Brothers Universal Bond Index over a full market cycle (approximately five years).~~

## **ALTERNATIVE INVESTMENTS**

~~The Board has adopted a multiple manager alternative investment strategy to increase diversification and enhance total rate of return.~~

~~The structure of alternative investments should include domestic and foreign private equity partnerships, venture capital, and mezzanine financing partnerships to diversify the assets and reduce the likeliness of material losses in any individual investment classification.~~

~~The investment consultant will provide an annual report on the overall absolute and relative risk of alternative investments to ensure that appropriate diversification is being achieved.~~

~~The goal for alternative investments is to achieve a total rate of return that will exceed, net of all costs and fees, the return of the public equity markets, as measured by the Wilshire 5000 Index, plus a liquidity premium of 2.0% per year.~~

## **REAL ESTATE**

~~The Board has adopted a strategy to increase diversification and enhance total rate of return.~~

~~The System may initiate direct ownership in raw land, commercial, industrial, and residential properties or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts investing in investment grade properties of like kind.~~

~~Total real estate investments shall not exceed the System's approved asset allocation as determined by the Board at the beginning of each fiscal year. Should the real estate allocation be exceeded, no additional real estate investments shall be entered into until the asset allocation exceeds the total real estate investments.~~

~~The Executive Director, subject to the approval of the Board, will appoint and retain a Real Estate Consultant to provide the necessary expertise and advice on such investments.~~

~~The goal of the real estate investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate domestic real estate market as measured by the NCREIF National Property Index over a full market cycle (approximately five years).~~

## **TIMBERLAND**

~~The Board has adopted a strategy to increase diversification and enhance total rate of return.~~

~~The System may initiate direct ownership in timberland or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts investing in investment grade properties of like kind.~~

~~The goal of the timberland investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Southeast Timberland NCREIF index over a full market cycle (approximately five years).~~

## **ARKANSAS RELATED INVESTMENTS**

~~The Board has adopted a strategy to meet the requirement of Arkansas statutes for Arkansas related investments.~~

~~The System may initiate Arkansas related mortgage loans, direct real estate investments, or purchase insured certificates of deposit or short term securities of Arkansas financial institutions to meet the goals of the mandated requirements.~~

~~The Board has directed that Arkansas related investments be in strict conformity with guidelines established by the Board.~~

~~The goal of Arkansas related investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Lehman Mortgage Index as measured over a full market cycle (approximately five years).~~

## **CASH EQUIVALENTS**

~~The Board has adopted a strategy to preserve capital and maintain liquidity to meet the needs of the System.~~

~~The System may hold direct ownership in short term investments or may permit or require managers to hold cash or cash equivalents to meet liquidity needs of the manager or of the System.~~

~~The goal of the cash management shall be to preserve capital and maintain liquidity.~~

## **COMMINGLED or MUTUAL FUNDS**

~~If a commingled fund or mutual fund is utilized, it is understood that the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the System will utilize the ATRS Investment Guidelines in selecting and~~

~~evaluating funds initially and in monitoring them on an on-going basis for continued suitability. If the assets of the commingled or mutual fund participate in securities lending, the cash collateral should be prudently invested to avoid risk of loss.~~

## **DERIVATIVES**

~~Derivatives may be used to reduce the risk in a portfolio. At no time shall derivatives be used to create a position of leverage or substantially increase the risk of the overall portfolio. Each investment manager's derivative usage shall be specified in the investment management agreement or specific guidelines. The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions. Option premiums outstanding at any given time shall be limited to less than 5% of the market value of the total portfolio. The notional value of the underlying securities of the futures contracts shall not exceed 15% of the market value of the total portfolio.~~

## **LOANING OF SECURITIES**

~~To increase investment income with minimal risk, the Board may loan bonds, stocks, or other securities provided at least 102% of the full market value of the security loaned is collateralized by cash or securities at the time the loan is executed.~~

~~At all times during the term of each loan, the collateral shall be equal to not less than 100% of the full market value calculated on the total value of all securities on loan.~~

**Adopted:** October 7, 2003

**Approved by Board:** October 5, 2015

**Amended:**

**Effective:**



## **RULE 5-6**

### **INVESTMENT CONSULTANTS**

A.C.A. § 24-7-303 and §§ 24-2-610-619

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To achieve the overall goal of ~~the System~~ ATRS as it pertains to investments, one or more investment consultants may be retained by the Board.

The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board.

Unless otherwise provided by contract, the investment consultants will:

- Assist the board in developing investment policy and making modifications thereto based on broad economic conditions and statutory changes.
- Provide general economic information and information on the market environment.
- Be responsible for the development and articulation of investment strategy, which will be a topic in quarterly reports to the Board.
- Assist the Board and Executive Director in the selection and supervision of investment managers.
- Provide recommendations on asset allocation, portfolio structure, retention, or removal of investment managers and various other topics that better equip the Board to make investment decisions for the Retirement System.
- Monitor and report periodically to the Board on the performance of the investments, the performance of the investment managers, any material changes within the investment management firms employed by the Board, and such other matters that are called for by this investment policy.

**Adopted:** October 7, 2003

**Approved by Board:** October 5, 2015

**Amended:**

**Effective:**



**RULE 8-1**  
**PURCHASE OF SERVICE CREDIT/REPAYMENT  
OF REFUNDS**

A.C.A § 24-7-601

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**DEFINITIONS**

1. **Back Contributions** – Mandatory contributions payable for service and salary rendered in a covered position within the ATRS look-back period.
2. **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.

**GENERAL**

The Arkansas code 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 code. Unless greater explanation is required, the code's provisions are self-effecting without the need to be placed in the policy.

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.

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, the best two salary years shall be added together and divided by two to establish the base year for the formula.

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.

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.

All actuarially purchased service, shall be purchased as contributory.

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

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.

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.

#### **SPECIAL PROVISIONS FOR THE REPAYMENT OF REFUNDED MEMBER CONTRIBUTIONS**

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 reestablish active membership by completing forty (40) days or more after reemployment by an ATRS covered employer.
2. A member must purchase the total credited service forfeited by the refund in order to purchase the refunded service.
3. 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.

**Adopted:** June 15, 2004  
**Amended:** April 26, 2007  
July 1, 2011 (Emergency)  
**Adopted:** August 8, 2011  
**Effective:** November 11, 2011  
**Approved by Board:** February 6, 2012  
**Amended:** April 18, 2012  
**Effective:** May 29, 2012  
**Approved by Board:** October 5, 2015  
**Amended:**  
**Effective:**



**RULE 8-7**  
**FREE MILITARY SERVICE**

A.C.A. § 24-7-602

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A member of the Arkansas Teacher Retirement System (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 active duty service in this System without cost, provided the following conditions are met:

1. Service must be the initial enlistment. Reenlistment or voluntary extension of the initial enlistment is not considered compulsory and shall not be allowed as service credit.
2. Military service shall not exceed five (5) years, and the years to be credited shall be those closest to the teaching service.
3. Crediting of military service will require the completion of Form M-1, provided by the ~~System~~ ATRS, and official military documents listing the entry and discharge dates of the first enlistment or induction.
4. Must have received an honorable discharge; and
- ~~5. Beginning July 1, 2011, the period of military service credit shall be based on 160 days of service rendered during a fiscal year, July 1 through June 30. For military service, the actual number of days in the month shall be counted. Fractional years of service cannot be credited prior to July 1, 1971. Days on both ends of the military time period may be combined to provide a year of service credited prior to July 1, 1971, if:
  - A. The minimum number of days to be combined is 160;
  - B. The maximum number of fiscal years to be counted is two (2); and
  - C. Combined military service may not be credited during fiscal years in which the member received credit for a year of teaching service.~~
- ~~6.~~ 5. All military service credited prior to July 1, 1986, is contributory service.
- ~~7.~~ 6. Military service may be established at any time after entrance into the System becoming a member of ATRS but official crediting shall be effective upon completion of five (5) years of actual service in the ~~Arkansas Teacher Retirement System~~ ATRS, excluding military service credit.

- ~~8. The member must not be receiving, nor be eligible to receive, federal military retirement pay (other than disability). Recertification of military service credit will be required for all service credited after 1969 at retirement.~~
- ~~9. Members receiving concurrent military retirement benefits and Veterans Administration disability compensation<sup>1</sup> must have a service-related Veterans Administration rating of 50% or higher in order to qualify for the disability eligibility requirement in paragraph No. 8 above.~~
- ~~10. The policies covering free military service credited to a member of the Teacher Retirement System apply to free military service credit under reciprocity, provided the member has five (5) years of actual service credit in the Arkansas Teacher Retirement System, excluding military service.~~
- ~~11. Under Act 793 of 1977, free military service may be established if membership is transferred after completing five (5) years of actual service in the Arkansas Teacher Retirement System.~~

**Amended:** April 26, 2007  
October 6, 2008  
July 1, 2011 (Emergency)  
**Adopted:** August 8, 2011  
**Effective:** November 11, 2011  
**Amended:** October 5, 2015  
**Adopted:**  
**Effective:**

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<sup>1</sup> Veterans Affairs compensation is a benefit paid on the basis of the kind and severity of a disability that happened as a result of active duty in military service. A Veterans Affairs pension is a benefit paid on the basis of a disability that was not a result of active service in the military and is based on income. ARTRS must use VA compensation as disability eligibility, not VA pension.

## **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 (unless otherwise noted)

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### **REGULATIONS**

#### **1. RETIREMENT ELIGIBILITY**

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

- A. Satisfy the credited service requirements under one of the System's retirement statutes, A.C.A. §§ 24-7-701—707,
- B. Be credited with all required employer and member contributions in the member's deposit account with no amounts owed to the System,
- C. Pay all amounts owed to the System for underpayments or purchase service accounts; and
- D. Terminate employment with all participating employers or have reached age 65 or older.

#### **2. 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.

~~If an employer reports additional salary for a member, but the result does not increase or decrease the annual benefits by \$25.00 or more, the contributions will be transferred from the member's deposit account to the employer accumulation account without making any change in the member's benefit. If the additional salary does increase or decrease the retiree's annual benefit by \$25.00, the retirement benefits will be recalculated, and necessary changes will be made in the member's benefit.~~

**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.

**D. Last Benefit Payment Upon Death**

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

**RULES**

1. 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.
2. In addition to a complete retirement application, the following documents are mandatory documents and shall be submitted to ATRS within six months of the effective date of retirement unless an extension is granted by ATRS:
  - A. Member elects a straight life annuity:
    1. Proof of member's birthdate from a birth certificate or other authenticating documents.
    2. Proof of member's tax payer 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. Proof of member's birthdate from a birth certificate or other authenticating documents.
  2. Proof of member's tax payer identification number from a Social Security card or other authenticating documents.
  3. Proof of spouse's birthdate from a birth certificate or other authenticating documents.
  4. Proof of spouse's tax payer identification number from a Social Security card or other authenticating documents.
  5. 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. Proof of member's birthdate from a birth certificate or other authenticating documents.
  2. Proof of member's tax payer identification number from a Social Security card or other authenticating documents.
  3. 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. Proof of child's tax payer identification number from a Social Security card or other authenticating documents.
- D. Member elects Option C annuity:
1. Proof of member's birthdate from a birth certificate or other authenticating documents.
  2. Proof of member's tax payer identification number from a Social Security card or other authenticating documents.

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.

**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:**

**Effective:**

## RULE 9-4 DISABILITY RETIREMENT

A.C.A. § 24-7-704

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- I. **RULES** (as amended by Acts 468 and 743 of 2009, Act 219 of 2015)
- A Disability retirement benefits shall commence the month the member files a written application with ATRS if at the time the member files the application the member is no longer employed by an ATRS-covered employer, if the member is otherwise eligible under A.C.A. § 24-7-704 and these Rules, and if after the Medical Committee determines a disability exists for the member.
- B.
- i. Termination of active membership for disability retirement benefits shall be the last date of any employer payment to the member due to the end of the employee/employer relationship.
- ii. The member is considered active if they are using earned sick leave, Family Medical Leave Act (FMLA) leave, annual leave and catastrophic leave. Worker's compensation, which may or may not include the use of leave granted by the employer, is not considered leave by which a member is considered active, nor does it extend the date of active membership.
- C.
- i. The following criteria and deadlines, applied to the individual ATRS member circumstances, affects eligibility for continued disability payments for a member who has been approved by ATRS for disability retirement, based upon the date of the first ATRS disability retirement check. The deadlines may be extended under the provisions of this rule and A.C.A. §24-7-704.
- (a) If member is fifty-seven (57) years or older before July 1, 2015, and is receiving disability retirement benefits, the member may continue to receive retirement benefits without submitting additional documentation to ATRS.
- (b) If the first disability retirement check to the member is dated before July 1, 2015, and the member is under fifty-seven (57) years before July 1, 2015, the member shall submit to ATRS a Social Security Administration (SSA) determination letter dated before July 1, 2018, that finds that the member is

disabled. In the absence of a SSA determination letter, the member's disability retirement payments will cease on June 30, 2018.

- (c) If the first disability retirement check to the member is dated July 1, 2015, or after, and the member is under fifty-seven (57) years on the date of the first disability retirement check, member shall submit to ATRS a Social Security Administration (SSA) determination letter dated within thirty-six (36) months from the date of the first disability retirement check that finds that the member is disabled. In the absence of a SSA determination letter, the member's disability retirement payments will cease thirty-six (36) months from the date of the first disability retirement check. For example:

Date of 1<sup>st</sup> ATRS disability retirement check: January 2017  
Social Security Administration determination letter finding dated by: December 2019  
Date of last disability retirement check if no SSA determination letter: December 2019

- ii. ATRS will grant an extension to the above deadlines if the member can provide documentation to ATRS that:

- (a) The SSA disability claim was properly filed and remained active for at least twenty-four (24) months prior to the deadline above; and
- (b) An active SSA disability claim is still under review by the SSA with no voluntary dismissal or withdrawal.

- iii. In any event, once the member reaches 60 years of age and they are still receiving disability retirement, the member will receive retirement benefits and no Social Security Administration determination letter is required thereafter.

- D. i. A member cannot simultaneously be employed by an ATRS-covered employer and receive ATRS disability retirement. A.C.A. § 24-7-701 also prohibits a member from receiving disability retirement if the member performs work for an ATRS covered employer as an independent contractor in certain circumstances.

- ii. If a member is approved for disability retirement but continues to work for the covered employer (directly or indirectly), he/she must terminate employment with the covered employer or indirect



employer by the proposed disability retirement effective date or up to two (2) full calendar months after the Medical Committee meets if the member is wrapping up final work for which the member is paid to receive disability retirement.

- iii If the member does not terminate employment under the Rules and A.C.A. § 24-7-502, the application is rescinded and the member can reapply.
- E. If the application for disability retirement benefits is denied and the member elects and otherwise qualifies for voluntary retirement, the effective date for retirement shall be determined by the date the disability retirement application is filed.
- F. If the member dies after the disability application is received by ATRS but before disability retirement is approved, then ATRS shall consider the member to have died in "active" service and survivor benefits under A.C.A. § 24-7-710 shall be paid.
- G. The annuity formula for computing disability retirement benefits is the same as for voluntary age and service retirement.
- H.
  - i. For all disability retirement applications approved by the Medical Committee after May 31, 2011, in accordance with rule making authority granted to the ATRS Board under A.C.A. § 24-7-706(a)(3), the Board shall allow a disability retiree at the time of retirement to designate an Option A or Option B beneficiary. Option C beneficiaries shall not be available to disability retirees.
  - ii If a disability retiree designates an Option A or Option B spouse beneficiary, and the disability retiree dies before reaching age 60, then the same rules that apply to active member option beneficiaries shall apply to the disability Option A and Option B beneficiaries under A.C.A. § 24-7-710(b).
  - iii If a disability retiree designates an Option A or Option B incapacitated child beneficiary, and the disability retiree dies before reaching age 60, then the same rules that apply to an active member surviving child shall apply to the disability Option A or Option B beneficiary under A.C.A. § 24-7-710(c) until the disability retiree would have turned age 60, then the Option A or Option B incapacitated child beneficiary shall receive the greater of the surviving child annuity under A.C.A. § 24-7-710(c) or the Option A spouse annuity under A.C.A. § 24-7-710(a).

- I. Disability retirants who are disapproved for further disability annuities due to a medical examination reviewed by the Medical Committee shall be removed from ATRS' retirant payroll the earlier of six months following the review date or the first of the month following the return to covered employment.
- J. If a member applies for disability retirement and is disapproved, he/she has the right to file a new disability application submitting additional information for review as long as the member remains active.

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**RULE 10-3**  
**TEACHER DEFERRED**  
**RETIREMENT OPTION PLAN (T-DROP)**

A.C.A. §§ 24-7-1301 - 1316

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I. The ATRS Board of Trustees has the authority under A.C.A. § 24-7-1301 to promulgate rules for the administration of a deferred retirement option plan for eligible members, called the T-DROP.

**II. DEFINITIONS**

- A. **DROP** means a deferred retirement option plan enacted by the General Assembly and administered under ATRS or a reciprocal system.
- B. **Early participant** means a member who has at least 28 years of service with an ATRS or reciprocal employer but less than 30 years, and participates in T-DROP under the requirements of A.C.A. § 24-7-1314 and any Board rules promulgated for early participants.
- C. **Fiscal Year** means the operating year for the State of Arkansas that begins on July 1 of each calendar year and ends on June 30 of the next calendar year.
- D. **Participant** means a member who elects to participate in T-DROP under A.C.A. § 24-7-1301 et seq.
- E. **Plan deposits** means the deposits made to each participant's T-DROP account pursuant to A.C.A. § 24-7-1306.
- F. **Plan interest** means the rate per annum, compounded annually on June 30, as the Board shall set and adopt at the end of each fiscal year, credited annually in each participant's T-DROP account. The interest rate shall be 2% less than ATRS' average rate of return with a maximum of 6% and minimum of 2%. The Board will determine the interest rate for the following fiscal year based upon the rate of return for the immediately preceding twelve-month period ending March 31 prior to the start of such fiscal year. The initial calculation of this rate shall begin March 31, 2005, for interest to be credited in the 2005-2006 fiscal year. All T-DROP participants that have not retired shall receive plan interest at the end of each fiscal year.
- G. **Post 10-year T-DROP interest** means the rate per annum, compounded annually, as the Board shall set and adopt at the end of each fiscal year, credited on June 30 to the balance of the T-DROP participant's account that meets the following criteria:

i. The member participated in T-DROP for ten (10) years ~~and continued employment with an ATRS covered employer~~ by receiving deposits, interest, or both; and

ii. The member has not retired.

H. **Quarter** means one-fourth (1/4) of a fiscal year. The four (4) quarters applicable in this rule are:

1<sup>st</sup> Quarter: July 1 through September 30

2<sup>nd</sup> Quarter: October 1 through December 31

3<sup>rd</sup> Quarter: January 1 through March 31

4<sup>th</sup> Quarter: April 1 through June 30

I. **T-DROP Cash Balance Account** means the financial account set up for a participant who elects to defer distribution of his or her T-DROP account at a time that he or she is eligible to receive a lump-sum distribution of the T-DROP balance.

J. **T-DROP Cash Balance Account Interest** means the interest rate per annum applicable to a participant's T-DROP Cash Balance Account, compounded ~~annually~~ monthly ~~and credited on June 30~~ into a participant's T-DROP Cash Balance Account. The interest rates payable on the T-DROP Cash Balance Accounts are set forth in this rule in subsection 4 of the section titled "**T-DROP CASH BALANCE ACCOUNT**". ~~The annual T-DROP Cash Balance Account interest rate shall be applied to T-DROP Cash Balance Accounts that have been held for at least one (1) fiscal year by ATRS.~~

K. **T-DROP Service Credit** shall be determined using the same rules that apply for service credit for an active member with the exception that "on call" availability shall not be used for T-DROP service credit requirements.

### III. T-DROP PARTICIPATION and ACCOUNT CREDIT

A. In lieu of terminating employment and retiring under A.C.A. § 24-7-701, an active member of ATRS may elect to participate in T-DROP and continue to work for a covered employer. By continuing covered employment, the participant defers receipt of retirement benefits until a later date.

B. A member shall have at least 30 years of credit in ATRS to participate in T-DROP, or, to become an early participant in T-DROP, at least 28 years but less than 30.

C. During participation in T-DROP, ATRS shall credit each participant's T-DROP account with plan deposits and plan interest.

- D. The plan interest rate determined by majority vote of the Board is final and binding upon ATRS and shall not be adjusted based on any revised rate of return reported after that date.
- E. The Post 10-year-T-DROP interest rate shall be set by the Board at same meeting that the plan interest rate is set. The 10-year plus T-DROP interest rate is limited to a maximum of six percent (6%) and a minimum of four percent (4%). The Post 10-year-T-DROP interest rate will be credited to the participant's T-DROP account on June 30<sup>th</sup> of each year.
- F. The initial Post 10-year-T-DROP interest rate for 2010 is set at four percent (4%) and will be credited to the participant's T-DROP account on June 30, 2010. The Post 10-year-T-DROP interest rate shall be set prospectively by the Board prior to the beginning of each fiscal year and that interest rate shall be credited to the participant's T-DROP account June 30<sup>th</sup> of the following year.
- G. The Post 10-year-T-DROP interest rate for each year determined by majority vote of the Board is final and binding upon the ATRS and shall not be adjusted based on any revised rate of return reported after that date.

#### IV. RULES

- A.
  - i. The participant's T-DROP benefit will be the monthly straight life annuity benefit to which the member would have been entitled had the member retired under A.C.A. § 24-7-701.
  - ii. The participant's T-DROP benefit may be reduced as set in these Rules and under A.C.A. § 24-7-1301 et seq.
  - iii. The T-DROP deposit shall not include the additional benefit, also known as the "monthly benefit stipend" provided in A.C.A. § 24-7-713.
- B. Plan deposits shall be a percentage of the T-DROP benefit, as follows:
  - i. One hundred percent (100%) reduced by the product of one percent (1.0%) multiplied by the number of years of contributory and noncontributory service credit, including reciprocal service, and fractions thereof.
  - ii. For a participant whose effective date in the T-DROP is before September 1, 2003, and who has more than thirty (30) years of service, the years of service above thirty (30) years shall be reduced by one-half of one percent (0.5%) for contributory years and three-tenths of one percent (0.3%) for noncontributory years.

- iii. Beginning July 1, 2001, when a participant whose effective date in the T-DROP is before September 1, 2003, reaches normal retirement age, the plan deposits shall be 100% with no reduction.
  - iv. For a participant whose effective date in the T-DROP is September 1, 2003, or after and who has more than thirty (30) years of service, the plan deposits for the years of service above thirty (30) years shall be reduced based upon the reduction established at the time the participant entered T-DROP.
  - v. For a participant whose effective date in the T-DROP is September 1, 2003, or after, and who reaches normal retirement age but does not retire, the plan deposits shall continue as reduced based upon the reduction established at the time the participant entered T-DROP.
- C. A participant shall elect an annuity option provided in A.C.A. § 24-7- 706 at the time the participant separates from service and is granted a monthly retirement benefit or files for retirement upon reaching normal retirement age.
  - D.
    - A. A member's participation in T-DROP shall not exceed ten (10) consecutive calendar years for accruing plan deposits; however, the Board is authorized under A.C.A. § 24-7-1307 to provide for a separate deposit, called the Post 10-year T-DROP interest.
    - B. If a participant continues covered employment after completing ten (10) years in T-DROP, the T-DROP account will be credited with Post 10-year T-DROP interest as set by the Board. Benefits payable at retirement will be based on the account balance the month before the participant begins drawing retirement benefits.
  - E. The annuity upon which plan deposits are calculated shall receive the cost-of-living increase provided for in A.C.A. § 24-7-713 or § 24-7-727. The annuity plus the cost-of-living increase is reduced or adjusted under this Rule.
  - F. If a participant elects to cash out or annuitize their T-DROP account balance upon election to retire, once the T-DROP account is distributed to the member, the participant shall not be allowed to reenroll in T-DROP, unless the member cancels their election under A.C.A. § 24-7-1302.
  - G. As soon as possible after the end of each fiscal year, ATRS shall furnish the participant an annual statement of the participant's T-DROP account. The statement of T-DROP deposits and interest will not be final until the annual accounting has been reconciled for part-time T-DROP participants.
  - H. If a participant earns service credit of 160 days or greater within a fiscal year and the participant does not terminate employment, retire, or die during the fiscal year, or the employer does not terminate the employer/employee

relationship, then ATRS will allow crediting of twelve (12) monthly T-DROP deposits per fiscal year.

- I. Part time employment while participating in the T-DROP plan:
  - i. In the first or fourth quarter of the fiscal year, five (5) or more days of service credit shall be required to credit the participant's account with three (3) monthly deposits for that particular quarter. If a participant receives less than five (5) days of service credit in either the first or fourth quarter of the fiscal year, then no T-DROP deposits shall be made in the three months for that particular quarter.
  - ii. In the second or third quarters of the fiscal year, fifteen (15) or more days of service credit shall be required to credit the participant's account with three (3) monthly deposits for that particular quarter. If a participant receives less than fifteen (15) days of service credit in either the second or third quarter of the fiscal year, then no T-DROP deposits shall be made in the three months for that particular quarter.

## V. CEASING T-DROP AND DISTRIBUTION OPTIONS

A. ~~Participation in~~ T-DROP monthly deposits automatically ceases when:

- i. The participant separates from service and is granted a monthly retirement benefit from ATRS or a reciprocal plan; or
  - ii. The participant reaches normal retirement age and retires without separation from service, or
  - iii. The participant separates from covered employment but does not apply for monthly retirement benefits; or
  - iv. The participant dies.
- B. Any lump-sum distribution of a participant's T-DROP account balance is eligible to be rolled over into a qualifying retirement plan. The ATRS shall only roll over the T-DROP lump sum balance into one qualifying plan.
- C. A participant may direct that all or a part of his or her lump-sum distribution as set forth in Ark. Code Ann. § 24-7-1308 continue to be held by ATRS in a T-DROP Cash Balance Account described in this rule in the section titled **"T-DROP CASH BALANCE ACCOUNT"**.
- D. ~~The~~ T-DROP is intended to operate in accordance with Section 415 and other applicable sections of the IRS Code. Any provision of the T-DROP that conflicts with an applicable provision of the IRS Code is invalid.

- E. If a participant separates from covered employment but does not apply for monthly retirement benefits, the T-DROP monthly deposit shall cease the month of separation from service. No deposits will be credited to the participant's account for the duration of the separation. Upon returning to covered employment, the monthly deposits will resume. Upon application for retirement, benefits will be paid according to the account balance at the time of separation from service or the month prior to the effective date of benefits after reaching normal retirement age. Provided however, if a member has not separated from covered employment and remains on an employer payroll without obtaining sufficient service credit for monthly deposits, the member shall remain eligible for annual interest.
- F. If a participant leaves ATRS-covered employment to serve, on a voluntary or involuntary basis, in the uniformed services of the United States and returns to ATRS-covered employment, the member shall be treated as not having incurred a break in service with the employer. The employer shall certify to the ATRS that reemployment was in accordance with the requirements set forth in Section 4312 of P.L.103-353, the Uniformed Services Employment and Reemployment Act (USERA) of 1994.

Under this subsection, uniformed services of the United States are limited to the armed forces, the Army, and the Air National Guard when engaged in active duty for training, inactive duty training, full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the President in time of war or emergency.

## **VI. DEATH OF A T-DROP PARTICIPANT PRIOR TO RETIREMENT**

- A. In the event a participant dies while still in T-DROP, the benefits payable from the T-DROP account shall be determined according to A.C.A. § 24-7-710.
- B. A T-DROP participant's surviving spouse may choose to receive the T-DROP benefit in a lump sum. If the spouse elects a lump-sum payment of the T-DROP balance, then the survivor annuities payable under A.C.A. § 24-7-710 shall be calculated on the service credit and salary earned by the member prior to participating in T-DROP.
- C. For the purposes of A.C.A. § 24-7-709 related to disposition of residue, any amount received from the T-DROP account, either in the form of a lump sum or annuity payments, shall be considered to be annuity payments received by the member or his or her designated beneficiary and shall act to reduce or eliminate the disposition of residue payable under A.C.A. § 24-7-1310.



## VII. DROP PARTICIPATION UNDER RECIPROCAL SYSTEMS

- A. If a reciprocal system offers a DROP for its members, then service credit in ATRS, a reciprocal system, or the combination of service credit in the systems may be counted to meet the minimum service credit requirements for participation under each system's DROP.
- B. The benefit payable by the reciprocal system shall be based on the DROP provisions of each system. The final average salary used to determine plan deposits shall be that of the reciprocal system which furnishes the highest final average salary at the time of retirement. Each reciprocal system shall use the method of computing final average salary stipulated by its law. Salaries earned in the Arkansas Judicial Retirement System and alternate retirement plans shall not be used in computing final average salary.
- C. Plan deposits and plan interest credited to the DROP account will be paid under the deferred retirement option program in effect for that reciprocal system.

## VIII. T-DROP CASH BALANCE ACCOUNT

- A. At the time that a participant may elect to receive a lump-sum distribution of all of his or her T-DROP account balance, the participant may instead elect to defer all or a part of his or her T-DROP account and direct that such amount be held in a T-DROP Cash Balance Account for the participant. If a participant chooses to defer only part of the T-DROP distribution into a T-DROP Cash Balance Account, the remainder of the T-DROP distribution shall be annuitized with ATRS according to the distribution options set out under A.C.A. § 24-7-1308.
- B. After the T-DROP Cash Balance Account has been established on the ATRS' accounting system, a participant with a T-DROP Cash Balance Account balance may withdraw funds from the account ~~one time~~ two (2) times per quarter on such forms as ATRS may issue. ATRS may allow the participant to obtain an additional withdrawal in a quarter for a manifest emergency. Minimum distributions will be made sufficient to satisfy legal requirements under Ark. Code Ann. § 24-7-730 and the Internal Revenue Code.
- C. A T-DROP Cash Balance Account shall be credited monthly with T-DROP Cash Balance Account interest, beginning the month after the account is established, and debited for all withdrawals and distributions.
- D. The initial interest rates for participants electing to enter the T-DROP Cash Balance Account program are set forth in this subsection. Members establishing a T-DROP Cash Balance Account on or after July 1, 2012, shall receive interest on their T-DROP Cash Balance Account according to the following schedule:

After establishing a T-DROP Cash Balance Account and:

For the first fiscal year of participation:	2.00% interest.
For two (2) fiscal years:	2.25% interest.
For three (3) fiscal years:	2.50% interest.
For four (4) fiscal years:	2.75% interest.
For five (5) fiscal years:	3.00% interest.
For six (6) fiscal years:	3.25% interest.
For seven (7) fiscal years:	3.50% interest.
For eight (8) or more fiscal years:	4.00% interest.

These interest rates are minimum interest rates that apply to T-DROP Cash Balance Accounts that are established while these rates are in effect. The T-DROP Cash Balance Account interest may be increased by the ATRS Board of Trustees on a forward-looking and Ad Hoc basis.

- E. The interest rates set forth in subsection 4- D above and payable on T-DROP Cash Balance Accounts established on or after July 1, 2012, shall remain at the initial rate set for July 1, 2012, T-DROP Cash Balance Account entrants unless the ATRS Board of Trustees adopts a different interest rate schedule to be used for future entrants to the T-DROP Cash Balance Account at least one (1) year prior to the beginning of a fiscal year in which the new interest rates shall apply. The ATRS Board of Trustees may adopt an interest rate schedule for new entrants by Resolution, setting forth the new interest rate schedule for the T-DROP Cash Balance Account. T-DROP Cash Balance Accounts existing prior to the effective date of the Resolution shall be unaffected by the new interest rate schedule.
- F. When adjusting and setting rates for interest on a T-DROP Cash Balance Account, the Board may consider the current market conditions, competing financial offerings to members, the bank rate for certificates of deposits, the status of ATRS' returns on investments, and the current state of T-DROP Cash Balance Account participation. The Board through resolution may periodically authorize a special ad hoc incentive payment for the Cash Balance Accounts if the Board determines that payment is likely to retain existing T-DROP Cash Balance Account holders and increase future participation in T-DROP Cash Balance Accounts. The ad hoc increase may be set as a single amount to be applied to all Cash Balance Accounts or may be computed as a graduated amount based upon the length of time the Cash Balance Account has been in existence.
- G. If a participant dies with a T-DROP Cash Balance Account, the account balance shall be paid as provided under Ark. Code Ann. § 24-7-1310.

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