

Summary of Proposed Rule Change

for
Arkansas Teacher Retirement System

Rule 6-2 Reciprocity

Substantive changes

This rule change is necessary after the passage of Act 612 of 2017 which provides members with the option to voluntarily waive all or part of their service credited in ATRS and to retire under a reciprocal system.

Non-substantive changes

Minor modification to improve clarity and consistency to language in the rule.

MARK-UP

RULE 6-2 RECIPROCITY

A.C.A. §§ 24-2-401-408 as amended by Act 1022 of 2005,
Acts 97 and 297 of 2007, and Act 555 of 2013, Act 612 of 2017

I. DEFINITIONS

A. Reciprocal System means the Arkansas Teacher Retirement System in operation June 30, 1957, and continued by statutes; the Arkansas State Highway Employees' Retirement System, established by A.C.A. § 24-5-103; the Arkansas Public Employees' Retirement System established by A.C.A. § 24-4-103; the Arkansas State Police Retirement System established by A.C.A. § 24-6-203; the Arkansas Judicial Retirement System established by A.C.A. § 24-8-201; the Arkansas District Judge Retirement System established by A.C.A. §§ 24-8-801--824; the Arkansas Local Police and Fire Retirement System provided for under A.C.A. § 24-10-101; or an alternate retirement plan for a public college or university, or the Arkansas Department of Higher Education provided for under A.C.A. § 24-7-801 *et seq.*, or for a vocational-technical school or the Department of Workforce Education (formerly the Division of Vocational and Technical Education) provided for under A.C.A. § 24-7-901 *et seq.*

B. State Employer means the public employer whose employees are covered under the Arkansas Teacher Retirement System, the Arkansas State Highway Employees' Retirement System (A.C.A. § 24-5-103), the Arkansas Public Employees' Retirement System (A.C.A. § 24-4-103), the Arkansas State Police Retirement System (A.C.A. § 24-6-203), the Arkansas Judicial Retirement System (A.C.A. § 24-8-201), or the Arkansas District Judge Retirement System (A.C.A. §§ 24-8-801—824). "State employer" also includes a public employer that is a college, university, or the Arkansas Department of Higher Education (A.C.A. § 24-7-801 *et seq.*), or a vocational-technical school or the Department of Workforce Education (formerly the Division of Vocational and Technical Education (A.C.A. § 24-7-901 *et seq.*).

C. Alternate Retirement Plans refers to the retirement plan(s) of a public college or university, or the Department of Higher Education provided for under A.C.A. § 24-7-801 *et seq.*, or for a vocational-technical school or the Department of Workforce Education (formerly the Division of Vocational and Technical Education) provided for under A.C.A. § 24-7-901 *et seq.*

D. Preceding System is a previous reciprocal retirement system of record as defined above.

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E. Succeeding System is the current reciprocal retirement system of record, following membership in a retirement system covered above

II. SUMMARY OF RECIPROCAL SERVICE

If a member leaves the employ of a state employer whose position is covered by any of the retirement systems listed above and enters the employ of another state employer whose position is covered by any of these retirement systems, the member shall be entitled to a deferred annuity according to A.C.A. § 24-2-401 et seq.

A. Age and Service Retirement with Reciprocal Service Credit

i. If ATRS is the preceding system, the member's annuity begins the first day of the month following the month the application was filed or after attainment of age 60 years, whichever is later. However, should the member have combined service of at least 25 years, the age limitation shall not apply. The deferred annuity shall not begin prior to the date of leaving the employ of the last state employer unless the member reaches age 65.

ii. If ATRS is the preceding system, the member is eligible to apply for benefits without leaving the employ of the last state employer upon reaching age 65. The member's annuity will begin the first day of the month following the month the application was filed or after attainment of age 65, whichever is later. Only service credited and salaries earned prior to the ATRS effective date of benefits will be used in the ATRS benefit calculation.

B. Disability Retirement with Reciprocal Service Credit

i. A member is eligible to apply for disability benefits under A.C.A. § 24-2-405 from each reciprocal system in which he or she has credited service according to rules for eligibility promulgated by that system.

ii. The member's annuity for disability retirement payable by the preceding reciprocal system shall begin the first day of the month following the month the application was filed with the preceding system, but not prior to the date of leaving the employ of the last state employer.

III. RULES

A. A member who leaves a position covered by the Teacher Retirement System, becomes employed by a reciprocal system, and files a reciprocal service

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agreement becomes an inactive member and may become eligible for the benefit formula in effect at the time of retirement.

B. i. Benefits will not be paid under reciprocity from ATRS as the preceding system until the member has ceased to be in the employ of a state employer unless the member reaches age 65.

ii. If ATRS is the preceding system, the member is eligible to apply for benefits without leaving the employ of the last state employer upon reaching age 65. The member's annuity will begin the first day of the month following the month the application was filed or after attainment of age 65, whichever is later. Only service credited and salaries earned prior to the ATRS effective date of benefits will be used in the ATRS benefit calculation.

C. Benefits will not be paid under reciprocity from ATRS as the preceding system earlier than age 60 unless the member has 25 or more years of combined service.

D. No minimum benefits apply under Act 488 of 1965 [A.C.A. § 24-2-402(5)(E)], as amended, for reciprocal service unless the member has five (5) or more years of credited service in ATRS.

E. If the survivor benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, the survivors shall not receive more, as a percentage of the deceased member's final pay or as a minimum dollar amount than the largest amount payable by a single reciprocal system. ATRS will prorate minimum benefits payable with other reciprocal systems that have a minimum benefit provision in their plans. Each reciprocal system shall pay a proportionate share of the minimum amount based on the ratio of service in that system to the total service in all reciprocal systems. If the reciprocal system is an alternate retirement plan, survivor benefits shall be contingent upon provisions of that benefit having been provided by the alternate retirement plan and having been selected by the member as a benefit. [A.C.A § 24-2-402 (5)]

F. If an employee of the Department of Human Services who becomes a member of the Public Employees Retirement System under the provisions of Act 793 of 1977, as amended, leaves employment with the Department of Human Services and becomes employed in another position covered by ATRS, the benefits for service, both before and after any service under Act 793, shall be subject to the benefit provisions of the Teacher Retirement law. Such member shall be eligible to establish reciprocity under the provisions of Act 488 of 1965 as amended.

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G. If an ATRS member has service credited during the same fiscal year with another reciprocal system and the combined service is greater than one year of service credit, ATRS will credit service as follows:

i. If credit by the reciprocal system is less than three (3) months, ATRS will credit service for one (1.00) year.

ii. If credit by the reciprocal system is three (3) or more months but less than six (6) months, ATRS will credit service for three-fourths (3/4) year.

iii. If credit by the reciprocal system is six (6) or more months but less than nine (9) months, ATRS will credit service for one-half (1/2) year.

iv. If credit by the reciprocal system is for nine (9) months but less twelve (12) months, ATRS will credit service for one-fourth (1/4) year.

H. While participating in a reciprocal system, back contributions, additional contributions, and repayment of refund payments made to ATRS shall be made according to payment methods contained in Rule No. 8-5 (Purchase Payment Rules), except employer pick-up is prohibited while working for a noncovered ATRS employer.¹

I. A member may elect to waive all or part of concurrent service credited to the member in ATRS and have the waived concurrent service credited under a reciprocal system by submitting their intention to ATRS on an ATRS approved form (A.C.A. § 24-7-601 (g)).

HISTORY

Amended:	July 18, 2005, <u>Act 1022</u> April 26, 2007, <u>Acts 97 and 297</u>
Approved by Board:	July 26, 2013
Amended:	October 9, 2013, <u>Act 555</u>
Effective:	November 8, 2013

¹ From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. § 24-7-601 and § 24-7-603. Effective July 1, 1993, for a ninety (90) day period, employees of the Arkansas Rehabilitation Services may transfer from the Public Employees Retirement System to the Teacher Retirement System under Act 574 of 1993. Any employee making the change will establish reciprocity between the two systems, and Act 793 of 1977 shall no longer apply.

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