

## EXECUTIVE DIRECTOR UPDATE

October 4, 2016

### Annual Statements Are Coming, Benefit Reminder and Status Update

The school year is now well underway. I thought it would be a good time for an executive director update to emphasize the importance of the updated member annual statements, a reminder about member benefits for working members, give some information about last year's retirement data, and finally, to give a short status update about ATRS.

#### Member Annual Statements

Member annual statements will be mailed in the next few days. Every **active** member with service in **the fiscal year that ended June 30, 2016**, should expect to receive a member annual statement no later than **October 31, 2016**. If you are an active member with service in the 2016 fiscal year (not in T-DROP and not retired), and you do not receive a member annual statement by October 31, 2016, then it is important that you contact ATRS. The problem may be that you have changed addresses without updating your official address at ATRS or your service may not have been properly reported.

Even if you are not near retirement, a careful review of your annual statement is vital to ensure that ATRS has accurate information reflected on your annual statement. The information being reported on the annual statement becomes final after 5 years (the ATRS lookback period) and not subject to change due to a typical error after the lookback period is passed. The ultimate responsibility for helping ATRS ensure the accuracy of your retirement benefits rests upon you. ATRS is here to help in any way possible to ensure the accuracy. Your careful review of your annual statement is a vital part of that process. Your annual statement contains very important information. This update is intended to help you walk through the statement in a detailed manner. The information includes:

1. Your name. Has your last name changed?
2. Your official address. Have you moved or had an address change?
3. Your contribution balance as of June 30, 2015. Does it appear correct?

4. Your contribution balance for 2016 fiscal year. Is the amount about 6% of your salary, if you are contributory? Do you want to become contributory if the balance is \$0.00?
5. Payments toward purchase of service. Are you purchasing service? If so, is any purchase payment properly reflected?
6. Member contribution balance. Do you see any errors?
7. Interest accrued on member contributions. Does interest appear accurate?
8. Balance due on purchase accounts. If you are purchasing service, does the amount owed appear to be accurate?
9. Partial social security number. Is the partial Social Security number correct?
10. Date of birth. Is the stated date of birth correct?
11. Gender. Is your designated gender correct?
12. Salary for the 2016 fiscal year. **Look VERY carefully.** Does the salary appear to be correct?
13. Total credited service at ATRS (including 2016 fiscal year). **Look carefully.** Does the total credited service appear correct?
14. Credit service for 2016 fiscal year. **Look VERY carefully.** Does your service credit appear correct? Remember, 40 days of service equals  $\frac{1}{4}$  year, 80 days of service equal  $\frac{1}{2}$  year, 120 days of service equals  $\frac{3}{4}$  of a year, and 160 days of service equals 1 year. Service days include paid sick days, paid holidays, paid vacation days.
15. Contributory or Non-contributory. Is your status correctly reflected?
16. Lump sum death benefit designation. Is your designation correct or do you want to change it? If you have no beneficiaries designated, the payment would go to your estate.
17. Residue beneficiary designation (this includes contributions plus interest for active members, T-DROP balance for T-DROP members, remaining value of annuitized T-DROP for a retiree, any remaining contributions for a newer retiree, and for some members, the last monthly benefit check if the member's bank account is closed before the retirement payment is due). Is your beneficiary correct or has your wishes changed? If you have no beneficiaries designated, any payment due would go to your estate.

This update goes through the annual statement item by item to emphasize the importance of the annual statement for you as a member and to point out areas for you to most closely examine. If you find any errors on the statement or need to change beneficiaries, ATRS staff is ready to help you. Certain forms are available on the ATRS website and include name change form, address change form, lump sum death beneficiary form, residual beneficiary form, and inquiry to become contributory form (discussed in greater detail below).

## Retirement Benefit Reminder

This reminder is focused on active members and T-DROP members to remind you about important benefits that are available before retirement.

### Disability Retirement

Disability Retirement is available for active members, not in T-DROP, who have less than 28 years of service, but more than 5 years of service. Members regularly fail to remember this benefit is available or miss the filing deadline that is explained below. ATRS wants you to know your benefits and when the benefits are available.

ATRS has a disability retirement program as a part of your ATRS benefits. Unlike many retirement systems, ATRS does not require a member to be approved for Social Security disability before being approved for ATRS disability. This also means that being accepted for Social Security disability does **not** guarantee that the ATRS disability rules will find you disabled. Generally, however, ATRS has more generous acceptance standards on disability than Social Security does at this time.

ATRS uses a Medical Committee made up of retired doctors who meet monthly to review new disability applications. Typically, the medical committee can review the medical application and associated records within 45 days of the date the member applies for disability retirement. The process is efficient and fair. If a member is approved for ATRS disability, ATRS uses the member's years of service credit, final average salary (average of best three salaries), and combined multipliers to determine the disability retiree's benefit. The monthly benefit is determined just as if the member had reached age 60 and applied for standard age and service benefits. An active member who is approved for disability with five years of actual service credit will have a lower benefit than a member who is approved for disability retirement with 21 years of service credit, if they have the same final average salary and contributory/noncontributory status. The disability benefit is based upon the actual retirement formula and is not reduced or enhanced due to the disability approval. The ATRS disability is in an addition to and not reduced by your qualification for Social Security disability, nor does ATRS reduce your disability benefit if you have private disability insurance.

If you are injured, have a medical condition, or have an illness that threatens your ability to continue working, the first thing you need to do is consider whether you should file for ATRS disability benefits. It is important to note that the ATRS disability benefit is different from a disability policy that you might buy through an insurance company offering disability insurance. ATRS offers a lifetime benefit if your condition does not improve that is separate and apart from Social Security disability, private disability insurance policies, or other disability programs. Even if you are clearly disabled, **you must file an application for ATRS disability while you are still eligible to do so or your application will be rejected.**

### **Do not miss the Disability Retirement filing deadline!**

Understanding the deadline for filing an ATRS disability application is important. A member must be **ACTIVE** in order to apply for ATRS disability. A member remains active for one fiscal year (a fiscal year runs from July 1 through June 30) after the last fiscal year that the member last received at least  $\frac{1}{4}$  year of service credit in ATRS. What does this mean? It means that if a member receives forty days of service credit in the current 2016-2017 fiscal year, the member will remain an active member through June 30, 2018, which is one additional fiscal year after the current fiscal year that we are in now.

A member obtains service credit by being credited with 40 or more days of work service in a fiscal year. The 40 days included paid sick days, paid holidays, and paid vacation days by your ATRS employer. If a member is credited in the last fiscal year (2015-2016) with at least  $\frac{1}{4}$  year of service credit, then that member is active all this fiscal year. If a member does not go to work in this fiscal year or does not receive at least  $\frac{1}{4}$  year of service credit, then the member's active service ends on June 30, 2017. **If a member files a disability retirement application after the member has become inactive, the application is rejected even if the member was clearly disabled prior to the date of the application.** This is true, even if the facts show that the member was disabled while the member was still active. So, missing the filing deadline will cause you to be ineligible to receive ATRS disability retirement benefits.

Beware of some traps. Some members have a private disability policy and decide to wait to apply for ATRS disability until after the private policy is exhausted. Waiting to file can be an enormous mistake if the member becomes inactive while receiving private disability payments. It is also a mistake to wait until the member's Social Security disability application is approved. (As a reminder, ATRS does not use Social Security disability to determine initial ATRS disability retirement eligibility). As part of this primer

on disability, I've attached a question and answer document, **ATRS Disability Retirement FAQ's**, which was developed by ATRS staff to answer many issues about disability retirement. If you know of a member who has health issues or was injured in an accident and may be unable to work in the future due to physical issues, please make sure they know about these important provisions on ATRS disability.

### **Survivor Benefits**

ATRS will pay survivor benefits to the children of active members with at least five (5) years of service and to T-DROP participants when the member dies while in active service or while receiving T-DROP deposits or interest payments. Many eligible members of ATRS have minor children who are eligible for income should an eligible ATRS member die for any reason. For eligible members, the survivor benefit provides an added level of protection which is unmatched in most defined benefit plans.

ATRS has developed a quality survivor program to provide assurance to its vested members that their children will be taken care of through college age (through age 23) if an eligible member dies with a child or children under age 18 and the child or children continue uninterrupted full-time post-secondary education after high school. ATRS' survivor plan treats an incapacitated child, regardless of age, as a minor child if the incapacity existed at the time of the member's death. Survivor benefits will be paid to an incapacitated child for as long as the incapacity exists.

ATRS survivor benefits are not based upon your years of service like disability or standard retirement. With survivor benefits, ATRS understands one of the greatest needs is for the replacement of income when members die in the early part of their careers. Survivor benefits are based upon the best **one year** salary of the member. ATRS will determine the highest salary year earned at the time of death or, if the member has a contract with an ATRS employer, will use the **contract salary** if the contract amount is higher. Using the highest one-year salary as the basis for the calculation, ATRS will give **each** minor child of the member **20%** of the member's best one-year salary, up to 3 minor children. If a member has more than 3 minor children, **60%** of the highest one-year salary will be divided among the minor children.

For instance, if an active member dies, made \$50,000 as the best one-year salary, and has two minor children, each minor child will receive **\$10,000 per year** until that minor child reaches age 23, as long as the child remains in school, full-time, in an approved educational program. Otherwise, survivor benefits will cease when the minor child reaches age 18. Additionally, that \$10,000 survivor benefit **increases** over time based upon the ATRS cost of living adjustment (COLA) every June 30, once the child has

been drawing a survivor benefit at least twelve months. The ATRS COLA is 3% per year on the base beginning benefit. This means if a member has minor survivors at the time of death who are one, two and three years of age, the benefit payable at age 23 for these three minor children will be significantly higher than the \$10,000 per year that is the initial base for the survivors.

There is a limit on the initial survivor benefit. The most ATRS will pay is **60%** of the member's best one-year salary. This means if the member had a high salary of \$50,000, ATRS will only pay \$30,000 to the minor children group as an initial base. If that member (with a high salary of \$50,000) has six minor children, each child would receive a \$5,000 per year base amount, and then COLA amounts over time.

This survivor protection is an important consideration as members work for the public schools and educationally related ATRS employers. This survivor protection goes away once the member becomes **inactive**. Remember, a member remains active for one fiscal year after the last fiscal year the member received service credit of at least  $\frac{1}{4}$  year in ATRS. This is because ATRS understands that some members may move to a new community or leave an ATRS covered position with a short break in service. ATRS determined that it was important to keep this important benefit available even if a member was not working for a period of time.

### **Noncontributory to Contributory**

It is too late for the 2016-2017 school year to change your status from noncontributory to contributory. However, it is not too early to become contributory for the fiscal year that begins on July 1, 2017. Contributory status can only change on a July 1 for existing members. As to new members, certain members must become contributory (typically full time employees with 181 or more days of service) with other employees being eligible for non-contributory service, but allowed to become contributory.

Contributory members have 6% of gross salary paid using employer pick-up (the contributions are pre-tax payments). This means that you will not pay income taxes on the 6% contribution until you retire and begin drawing a benefit check.

## **Report on Retirement Season**

Here are a few numbers on the latest retirement season for July 1<sup>st</sup> and the 2015-2016 fiscal year:

In the fiscal year that ended on **June 30, 2016**, ATRS added 1,643 new retirees. In that number is 571 members who retired from T-DROP. On July 1, 2016, ATRS welcomed 651 new participants in the T-DROP program. In July 2016, with the new retiree group added, ATRS had about 44,500 retirees receiving monthly benefits for a lifetime and the monthly benefit payment for July was just over \$85 million dollars. This means that ATRS will annually pay out more than \$1 billion dollars in monthly benefits with the vast majority of those benefits being paid within Arkansas. The average monthly benefit is now over \$1,900 with the average benefit paid just under \$23,000.00 per year.

## **Status update**

As of this executive director update the ATRS fund value is over \$15 billion dollars. The June 30, 2016 investment results show that ATRS has investment returns in the top 3% of its peer pension plans in the United States.

# Disability Benefits

## What is ATRS Disability Retirement?

**Disability Retirement** allows an ATRS **active member** with five (5) or more years of actual credited service with ATRS the ability to retire if, as the result of a personal injury or disease, the member has become **totally and permanently** physically or mentally incapacitated for his or her job duties.

## Do I have to be approved for Social Security Disability prior to applying for ATRS Disability Retirement?

The answer is **No**. There is no alignment between Social Security Disability and ATRS disability.

## How does Disability Retirement differ from Age and Service Retirement?

In regards to the retirement annuity formula there is no difference between **Disability Retirement** and Age and Service retirement. There is no reduction for the member being under age 60 or having service credit under 25 years. The **Disability Retirement** application process involves additional paperwork and a review and recommendation by a Medical Committee.

## How do I know if I might be eligible for Disability Retirement?

A member must have a minimum of five (5) years of actual credited service with ATRS and be considered **active\*** to be eligible to apply for **Disability Retirement**.

### **ACTIVE \***

\*For **Disability Retirement** eligibility, a member is considered **active** for an additional fiscal year following the last fiscal year the member rendered actual service to an ATRS covered employer and obtained at least one-fourth (1/4) year of service credit.

The determination of disability is based upon the recommendation of the ATRS Medical Committee. The ATRS Medical Committee reviews the application and supporting medical records to determine the following:

- The member is physically or mentally incapacitated
- The member exhibits symptoms of physical or mental incapacitation while employed by an ATRS covered employer as an **active** member
- The member is unable to perform his or her current work duties
- The member's incapacity will most likely be permanent

## **Am I eligible for Disability Retirement if I am a T-DROP participant?**

The answer is **No**. As a T-DROP participant you are not eligible for **Disability Retirement**. T-DROP is an **optional "retirement" plan** for ATRS members. Members who meet eligibility requirements elect to participate in T-DROP **in lieu** of retiring and accepting a service retirement benefit. In other words, as a T-DROP participant you are, in essence, already considered "retired".

## **How do I apply for Disability Retirement?**

A member must contact our office at 1-800-666-2877 or 1-501-682-1517 to request a **Disability Retirement** application. The member must complete the application in full and make certain that ATRS receives all supporting documents which include physician statements. It is the member's responsibility to ensure that his or her application and supporting documents are received within the required **time frame**.\*.

### **TIME FRAME\***

For **Disability Retirement** eligibility, a member is considered **active** for an additional fiscal year following the last fiscal year the member rendered actual service to an ATRS covered employer and obtained at least one-fourth ( $\frac{1}{4}$ ) year of service credit. Any applications received **after** this eligibility period will not be considered due to the fact that the member is no longer an **active** member.

A member has six (6) months from the date the disability application is received by ATRS to submit a correctly completed application and accompanying documentation.

## **How long do I have to submit all the supporting documents needed with my Disability Retirement application?**

Once a **Disability Retirement** Application is received at ATRS, the member will have six (6) months to submit supporting documents or correct an incomplete application. If, at the end of the six (6) month period, the member's application is incomplete or supporting documentation is not provided, the incomplete application will be submitted to the ATRS Medical Committee for review or the member may request the application be withdrawn.

At the end of the six (6) month period, if you have withdrawn your application or your application has not been approved and, **if you still meet eligibility requirements**, you will be required to begin the Disability Retirement Application process again.

## **How long does it take to determine eligibility and receive approval?**

The ATRS Medical Committee meets monthly. Once ATRS has received the member's correctly completed application and accompanying medical records the case will be presented at the next regularly scheduled ATRS Medical Committee meeting.

In order to be placed on the Medical Committee meeting agenda, the application and accompanying medical records must be received prior to the Friday of the regularly scheduled Medical Committee meeting. Otherwise, the member's case will be presented at the next month's Medical Committee meeting.)

## **Once my Disability Retirement Application has been approved, when will I receive my first check?**

Once the member's **Disability Retirement** application has been approved by the ATRS Medical Committee, the member will receive a letter from ATRS stating approval and requesting a number of required forms such as a Tax Election Form, Direct Deposit Authorization, Employer Certification, and an Annuity Option Form. The member's file will also be reviewed for any other required documentation such as a Social Security card, birth certificate, and beneficiary forms.

Upon approval and, if you are **no longer employed** by an ATRS covered employer, the effective date of your disability retirement will be the calendar month your application was received by ATRS.

If a **member is working for an ATRS covered employer** when disability benefits are approved by the ATRS Medical Committee, benefit payments will begin the next month after the member's last date of employment for an ATRS covered employer. Retroactive payments will not be granted. The following sections apply if the member **is working for an ATRS employer** when disability benefits are approved by the Medical Committee:

- The member will have up to **two (2) full calendar months** after the ATRS Medical Committee determines approval of disability benefits to **terminate** his or her **active membership** with an ATRS covered employer.
- Upon failure to **terminate active membership** by the end of two (2) months, the member's **Disability Retirement** will be revoked and the member will be required to submit a new **Disability Retirement** application and begin the process again.
- **Termination of Active Membership:** The last date the member worked for an ATRS covered employer. Delay of the final paycheck or lump sum payments as a result of annual or sick leave payouts do not count to extend active membership.
- **Required Retirement Documents:** A member approved for disability retirement has six (6) months to submit requested required documents such as a Tax Election Form, Direct Deposit Authorization, Employer Certification, and Annuity Option Form. A copy of the member Social Security Card and birth certificate must be submitted if not on file with ATRS. Payment of disability benefits will not begin until all requested documents are received. If requested documents are not received within six (6) months, the disability retirement application will be voided.

## What if my Disability Retirement Application is denied, what are my options?

A **Disability Retirement** Application can be denied for various reasons such as an incomplete application, inadequate documentation, or a lack of medical information to support that the applicant is unable to perform his or her job duties. If disability retirement is denied, the member may submit a new application with additional information for consideration as long as the applicant remains in **active status**\*

### **ACTIVE STATUS\***

If a member is no longer in active status (a member is considered **active** for an additional fiscal year following the last fiscal year the member rendered actual service to an ATRS covered employer and obtained at least one-fourth (¼) year of service credit) the member does have the option, if capable, to return to work for an ATRS covered employer and work a minimum of forty (40) days in order to reactivate his or her status to **active**.

## What if I have an aggressive terminal illness, is Disability Retirement my best option?

ATRS cannot counsel members on life decisions. However, if a member does have an aggressive terminal illness and the member has dependent children the member is encouraged to contact an ATRS Counselor to discuss other options such as survivor benefits for a dependent child or children.

**PLEASE NOTE:** It is important to note that survivor benefits for dependent children are based on the member's **active** status. A member is considered **active** for an additional fiscal year following the last fiscal year the member rendered actual service to an ATRS covered employer and obtained at least one-fourth (¼) year of service credit. In addition, a member is considered active for eligibility for survivor benefits if in the fiscal year of a member's death, the members earns a minimum of ten (10) days in each quarter before and including the quarter of the member's death.

## As a disability retiree, may I return to work?

Returning to work for an ATRS employer will **cancel disability benefits** if the disability retiree is under age 60 when any work for an ATRS employer is performed. Disability retirement will be canceled and the member will have to pay back disability benefits. Any disability retiree should check with ATRS before working for an ATRS employer, **even if for one (1) day**,

including at athletic events. Disability retirement law is completely different than the law for regular retirees.

If circumstances occur where a disability retiree is able to return to **covered employment after disability retirement\***, then the following applies:

If a disability retiree under **age sixty (60)** returns to work for an ATRS covered employer, his or her **Disability Retirement** will be immediately terminated and the member will be considered **active**. The member's credited service at the time of **Disability Retirement** will be restored and, as an active member, will begin earning service credit and will become eligible for certain benefits available to only active members.

**Covered Employment after Disability Retirement\***

If a disability retiree works for 1 day while attempting to return to active, covered employment, that disability retiree is immediately considered active for the current fiscal year and for one additional fiscal year.

It is the responsibility of the member and ATRS employer to report a disability retiree's return to work for a covered employer. If a disability retiree **under age 60** returns to work after being placed on disability retirement, even for one (1) day, the member shall repay disability retirement benefits paid from the time the member returned to work.

If a disability retiree has **reached sixty (60) years of age** and returns to an ATRS covered employer, he or she will continue to receive the retirement annuity **IF** they have met the required **termination/separation period**.

**TERMINATION / SEPARATION REQUIREMENTS:**

- AGE 65 (prior to retirement effective date): No Separation Requirement
- 38 YEARS OF SERVICE (under age 65): One (1) Month Termination Separation Period
- ALL OTHER RETIREES: Six (6) Month Termination Separation Period

If you are **UNDER AGE 60**, do not return to work from a Disability status unless you plan to **CANCEL** your Disability Retirement.

If you are **OVER AGE 60** and planning to return to work, please contact ATRS to confirm you have met the Termination Separation Period requirements.

Members are strongly encouraged to contact ATRS at 501-682-1517, 1-800-666-2877, or [info@artts.gov](mailto:info@artts.gov) concerning any questions you may have regarding returning to work while on Disability Retirement.

## **What if I leave covered employment to attempt recovery, *do not* apply for ATRS disability, then find I cannot return to work due to my disability - is there a deadline for applying for ATRS Disability?**

The answer is **Yes**. A member must be considered in **active status\*** to be eligible to apply for ATRS Disability Retirement.

### **Active Status\***

\*For **Disability Retirement** eligibility, a member is considered active for an additional fiscal year following the last fiscal year the member rendered actual service to an ATRS covered employer and obtained at least one-fourth (1/4) year of service credit.

**Example:** If a member last worked for an ATRS covered employer in December, 2014 (Fiscal year 2014-2015) he or she would be considered **active** until June 30, 2016 (Fiscal Year 07/01/2015 – 06/30/2016).

## **What happens if I die while on Disability Retirement?**

As with Age and Service Retirement, disability retirees must select an option for payment of monthly benefits as follows:

\* Option 1 – Straight Life Annuity

\*\* Option A – 100% Survivor Annuity

\*\* Option B – 50% Survivor Annuity

\* If a retiree selects Option 1, Straight Life Annuity, and **dies within the first year of retirement**, the surviving spouse may elect to cancel the Option 1 in effect and elect Option A, 100% Survivor Annuity. The surviving spouse must be the member's residue beneficiary and must have been married to the member at least one (1) year prior to the member's death.

\*\* If a retiree selects Option A, 100% Survivor Annuity, or Option B, 50% Survivor Annuity, and his/her spouse dies, the retiree, can return (pop-up) to Option 1, Straight Life Annuity. The

retiree must report the death to ATRS, complete an ATRS Change of Annuity Option Form, and submit requested documentation. The adjusted benefit will become effective the month following receipt of the Change of Annuity Option form.

If a retiree has selected Option 1, Straight Life Annuity and **dies after the first year of retirement** and prior to receiving annuity payments equal to the amount of employee contributions paid plus interest earned, then the residue beneficiary will receive the remaining residue balance. If no residue beneficiary is nominated or survives the death of the member, the remaining residue shall be paid to the member's estate.

**Lump Sum Death Benefit:** Upon the death of the disability retiree with ten (10) or more years of actual service, ATRS will pay a death benefit ranging from \$6,667 to \$10,000, based on the member's contributory/noncontributory service credit. The death benefit will be paid to the designated beneficiary on the lump sum death beneficiary form or to the deceased member's estate if no lump sum death beneficiary is named.

See Review of Annuity Options and Lump Sum Death Benefits for more information.

## **What are my options for covering a spouse on Disability Retirement?**

A disability retiree may elect to cover a spouse or a dependent child that has been declared incapacitated by a court under Annuity Option A or Option B.

**\*\* Option A – 100% Survivor Annuity**

**\*\* Option B – 50% Survivor Annuity**

See Review of Annuity Options or contact an ATRS Counselor for more detailed information and estimates.

## **If I have selected an Annuity Option A or Option B, will my option beneficiary receive benefits after my death?**

**The answer is Yes.** If the member has selected an option that provides for his or her beneficiary after the member's death (see Review of Annuity Options) then the option

beneficiary will receive benefits for his or her lifetime. If a deceased disability retiree was not eligible for early retirement or had not attained age 60 at the time of death, the spouse's Option A or Option B annuity **will begin the date the deceased member would have been eligible to receive age and service benefits, age 60, and is payable for the spouse's lifetime, regardless of remarriage.**

## **Do my beneficiary(s) receive a Lump Sum Death Benefit after I die?**

The answer is **Yes**, **IF** the disability retiree has a minimum of 10 actual years of service at the time of retirement and has a properly completed Lump Sum Death Beneficiary form on file with ATRS prior to the member's death.

**Contact ATRS at 501-682-1517, 1-800-666-2877, or [info@artts.gov](mailto:info@artts.gov) for additional information.**