

If you are considering becoming a July 1, 2011 retiree, the questions and information provided below may assist you in better understanding the retirement process and ensuring your retirement process begins and ends smoothly.

- **Are you eligible to retire?**

Only people who meet the eligibility requirements can retire (*disability retirement is available for any active member with five (5) years of service. Disability retirement is not addressed in this update*).

In order to retire, you must meet one or more of the following requirements set forth below:

- You are age 60 or over and have five (5) or more years of credited service. (*Reciprocal service in another Arkansas retirement plan can count in the service requirement.*)
- You have at least twenty-eight (28) years of service at any age. (*Reciprocal service in another Arkansas retirement plan can count in the service requirement.*)
- You can take early retirement if you have at least twenty-five (25) years of credited service at any age and take a substantial penalty in your benefits for retiring before obtaining twenty eight (28) years of service credit. (*Reciprocal service in another Arkansas retirement plan can count in the service requirement.*)

- **Do you have a current estimate of your benefits?**

Based upon law changes that have occurred over time and changes to policy, old benefit estimates may be materially changed from an earlier estimate. You can call ATRS, email ATRS, or drop in at the ATRS offices during regular business hours and obtain an updated estimate of your benefits. This will ensure that you have made a decision on correct information.

- **Do you have a purchase service account and, if so, is it paid in full?**

Several members at the time of retirement are still completing purchase service accounts. Prior to retirement, all such accounts must be paid in full for the service to be recognized in calculating your retirement benefit. If you plan to retire, be sure to have a financial plan in place to complete payments on the purchase service accounts by May 31.

- **Are you eligible to purchase any additional service?**

Although time is short to complete additional service purchases, it is still possible in many instances. For July 1, 2011 retirees, service purchases must be completed by May 31. If you would like to consider purchasing additional service for which you are eligible to purchase, you need to contact ATRS **IMMEDIATELY** to have any reasonable opportunity to complete the purchase prior to May 31.

- **Have you obtained a blank retirement application from ATRS?**

Some members make a decision to actually retire at the last minute. ATRS will gladly provide a blank retirement application that you can begin filling out. The application has parts that must be completed by both you and your employer. Even if you are uncertain as to whether you may wish to retire, it may benefit you to complete the application in the event you make a decision to retire at the last minute, since a deadline exists for you to become a July 1 retiree.

- **Why do so many ATRS members become July 1 retirees?**

A large majority of ATRS retirees retire at the end of a school year and become July 1 retirees. A July 1 retiree receives his or her first benefit check the last working day of July. A very important reason to be a July 1 retiree is that members who retire by July 1 receive an earlier right to receive a cost of living adjustment (COLA). ATRS pays a 3% simple COLA each July 1 to members who have been retired at least 12 months. If members miss becoming a July 1, 2011 retiree, the first COLA they will receive will be in July 2013.

- **Is your retirement application filed with ATRS prior to the May 31 deadline?**

To be a July 1 retiree, ATRS must have your retirement application on or before May 31, 2011. The application may be delivered by facsimile, as a scanned document attached to an email, by personal delivery to the ATRS office, by courier such as Federal Express, or by U.S. mail. If your application is mailed by using the U.S. postal service, ATRS will treat the official postal service postmark as the date of receipt by ATRS. For all other types of delivery, **actual possession** by ATRS on or before May 31 is required.

Feel free to call and confirm the receipt of your retirement application by ATRS after you submit it. ATRS will gladly confirm receipt of the retirement application.

- **What paperwork should you be gathering for my application?**

If ATRS does not already have it on file, ATRS will need a copy of your Social Security card and your birth certificate.

- **What happens if you can't obtain all needed paperwork by May 31?**

If you have trouble obtaining a Social Security card, birth certificate, or other necessary documents, all is not lost. ATRS will tentatively accept your completed application on or before May 31, 2011, and give you six (6) calendar months after the effective date of retirement (July 1, 2011) to submit all additional documents required by ATRS. During the time it takes to receive all additional documents, you will **NOT** begin receiving benefits. Once ATRS receives the required documents, ATRS will pay all the benefits that were held pending the required documents and pay continuing benefits thereafter. However, if the required documents are not received by the deadline, the retirement application will be voided unless an extension is granted by ATRS which will be granted for good cause shown.

- **Did you know that members with 10 or more years of actual service will receive a \$75.00 monthly stipend added to his or her retirement annuity?**

Several years ago, the ATRS Board developed legislation that was approved by the General Assembly to add this special benefit to members with ten (10) actual years of service. These ten (10) years cannot be reciprocal service or non-ATRS purchased service. For instance, private school and out-of-state service that is purchased does not count in the ten year requirement. This adds \$900 per year to long-serving members of ATRS.

- **What benefit elections are available for you to consider when you apply for benefits?**

ATRS has four (4) basic elections for benefit payments. One covers you for the rest of your lifetime and three (3) of the elections allows you to cover another individual after your death, for all or part of his or her lifetime.

Straight Life:

The first election is called "straight life annuity." The maximum benefit you can be paid on a monthly basis by ATRS is a straight life benefit. Upon your death, all monthly benefits cease and only any applicable death benefit or residual contributions left in your account will be paid after the month of your death. In most instances, a member who has been retired for at least a couple of years has no residual balance, and only the death benefit if applicable will be paid. If a member adds (annuitizes) to his or her monthly benefit with all or part of his or her T-DROP balance, a residual balance will remain payable after the member's death in almost all instances.

Option A and Option B:

Option A and Option B allow a member to continue monthly benefit payments for his or her life and if the member dies first, for the rest of an eligible spouse's life, whoever dies last. In addition, members can also elect an Option A or Option B benefit to cover the rest of the member's life or an incapacitated child's life. If a member elects Option A or Option B, a monthly benefit will be payable until both the member and his or her beneficiary are deceased. An incapacitated child is a child who has been placed in a guardianship by a probate court, after having been declared either physically or mentally incapacitated.

If a member elects an Option A (100% of member's monthly benefit payable to beneficiary) benefit to cover a spouse or incapacitated child, the member's "straight life annuity" is reduced by a predetermined formula developed by ATRS actuaries and the member's monthly Option A benefit will be paid to a surviving option beneficiary without delay or reduction for the rest of the beneficiary's life. If the Option A beneficiary dies before the member, ATRS will increase the member's benefit (pop-up) back to a straight life benefit. Example: The member elects an Option A benefit and has a monthly benefit of \$2,500.00. If the member dies, the Option A beneficiary receives an approximate benefit of \$2,500.00 for the rest of his or her lifetime with an annual 3% simple COLA added each July 1.

If a member elects an Option B benefit (50% of member's monthly benefit payable to beneficiary) to cover a spouse or incapacitated child, the member's "straight life annuity" is reduced by a predetermined formula developed by ATRS actuaries and one half of the member's monthly Option B benefit will be paid to a surviving option beneficiary with a 50% reduction for the rest of the beneficiary's life. If the Option B beneficiary dies before the member, ATRS will increase the member's benefit (pop-up) back to a straight life benefit. Example: The member elects an Option B benefit and has a monthly benefit of \$2,500.00. If the member dies, the Option B beneficiary receives an approximate benefit of \$1,250.00 for the rest of his or her lifetime with an annual 3% simple COLA added each July 1.

Option C:

If a member elects an Option C benefit, ATRS guarantees that the member or his or her Option C beneficiary will receive at least ten years (10) years of benefits (120 monthly payments) regardless of when the member dies. Even with Option C, the member receives monthly benefits for his or her entire life. For instance, if the member lives twenty five (25) more years after retirement, the member continues receiving the monthly benefit for all of those 25 years. Once a member lives ten (10) years, the Option C beneficiary has no remaining right to a monthly benefit if the member dies thereafter. The member can name anyone as an Option C beneficiary. The Option C beneficiary does not have to be a relative. If the Option C beneficiary dies before the ten (10) years has passed, the member can name a replacement beneficiary or have his or her benefit increased (popped-up) to his or her straight life benefit as if he or she had never elected an Option reduction for the benefit. Example: The member elects Option C and is paid a monthly benefit of \$2,500.00 and dies six (6) months later. The Option C beneficiary will receive a monthly benefit of \$2,500.00 for nine and one-half (9.5) years along with a 3% simple COLA each year.

- **What extra documents will you need to send to ATRS when choosing an Option beneficiary?**

For an Option beneficiary, ATRS will need a copy of the person's Social Security card. In addition for spouses under Option A or Option B, ATRS must have a copy of the spouses' birth certificate and marriage license.

- **How many beneficiaries do you have to name, and what impact can occur by who you name?**

Residual beneficiaries are explained under the explanation of a **Straight Life**. You can name a primary beneficiary who stands first in line, and if that person predeceases you, the contingent beneficiary stands in the initial beneficiary's place. Most members who retire will need to consider three (3) separate beneficiary designations. The first type designation is addressed for Option A, B, or C designation if desired by the member. The two (2) additional designations are the residual beneficiary and death benefit beneficiary

Residual Beneficiary:

If you are married, you should carefully consider who you name as your residual beneficiary. If you name someone other than your spouse as your residual beneficiary, that person gets the last benefit check payable to the member. In addition, if the spouse is not named as the residual primary beneficiary and the

member dies within a year of his or her effective retirement date, the spouse is not entitled to elect Option A and receive a lifetime Option A benefit. However, if a member chooses a straight life annuity and dies in his or her first year of retirement, if the spouse is named as the residual primary beneficiary, then the spouse is allowed to select an Option A benefit and receive a lifetime Option A benefit.

Death Benefit:

Members with ten (10) years of actual service in ATRS are entitled to a death benefit of up to \$10,000. If you fail to name a beneficiary for your death benefit, it has to be paid to your estate which often causes delayed payment of the death benefit.

• **Does filing a retirement application make your retirement decision irrevocable?**

The answer is no. ATRS allows a member to file his or her retirement application, receive his or her first benefit payment, still change his or her mind and become active again. A member has two (2) months from his or her effective retirement date to withdraw his or her retirement application and remain active. Any benefit payments made by ATRS must be returned promptly. After two (2) months, the decision does become irrevocable. Members may no longer rescind retirement after retiring as once was allowed by ATRS. A new law in 2011 repealed rescission of retirement effective July 1, 2011. One additional means exists that can revoke a member's retirement eligibility. That is by the member failing to properly terminate employment and to remain terminated during the member's applicable termination separation period. ATRS strictly enforces these requirements and the penalties are severe when a member fails to properly terminate and remain separated from all ATRS employers during the termination separation period. This issue is addressed more thoroughly below.

• **Once you submit your application and related documents, what does ATRS do?**

First, even before you submit the documents, ATRS is available to help explain all of your options and will assist you with a full check-up of all the retirement decisions you need to make. Members can call, email, or come by the ATRS offices for all assistance needed in processing a retirement decision.

Once you file a retirement application, ATRS will send you a letter acknowledging receipt of the application and will inform you of any needed or missing documents. ATRS staff will be available to assist you in making changes in your retirement application even after it is filed. In fact, a new retiree has one year after his or her effective retirement date to make changes in his or her Option A, B, or C elections. However, from a member's effective retirement date, a member may only change the Option election once during the first year of retirement. If the election change reduces the member's payable monthly benefit, the member must promptly reimburse ATRS any overpayment with interest.

• **Does your receipt of Social Security benefits reduce your ATRS benefits?**

No. Some retirement systems coordinate benefits with Social Security benefits. ATRS does not reduce benefits in any way once you become eligible for Social Security benefits. So your receipt of Social Security benefits has no impact whatsoever on your ATRS benefits.

- **How is your monthly benefit paid?**

If you are a July 1 retiree, your first benefit payment will be made on the last working day of July. In almost all instances, ATRS pays monthly benefits electronically to your local bank account. At the time of retirement, ATRS will work with you to obtain necessary bank account information to ensure your monthly benefit payments are deposited in your bank account. In rare instances, certain members may receive paper checks if a bank account is closed or the member has a special circumstance regarding his or her financial status. ATRS tries to avoid using paper checks as a continuous method of paying monthly benefits due to the problem with lost and stolen checks.

- **You have decided to retire, and it is June 30, what next?**

New Retirees who are age 65:

If you are age 65 on or before June 30, 2011, you can receive your first retirement check at the end of July and enjoy retirement. You can also continue working at an ATRS employer without termination or any separation. In fact, earlier in the year, you can sign a contract to work for the 2011-2012 school year. Since you have reached age 65, ATRS does not require you to terminate employment or have a separation period.

New Retirees with 38 or more years of credited service under age 65:

Since you are under age 65, you must terminate employment and remain terminated with all ATRS employers, including colleges, for the calendar month of July. A new law to define termination and the termination separation period was adopted in 2011. A copy of the new law is attached to the back of this summary. The bottom line is that you must stop working for all ATRS employers and you must not enter into agreements to work for any ATRS employer before your termination separation period ends. If you have signed a contract in the Spring to work in the 2011-2012 school year, you must resign and withdraw from that future contract. This means you cannot earn any income from an ATRS employer, even for one (1) day of work or substituting. A new retiree can volunteer during the termination separation period as long as the volunteering is not used to hold a position open during the termination separation period. If you have any questions, you are strongly encouraged to get written clearance from ATRS before a mistake is made since the enforcement is strict and the outcome is often financially harsh on a member.

New Retirees with less than 38 years of credited service and under age 65:

Since you are under age 65, you must terminate employment and remain terminated with all ATRS employers, including colleges, for six (6) calendar months. A new law to define termination and the termination separation period was adopted in 2011. A copy of the new law is attached to the back of this summary. The bottom line is that you must stop working for all ATRS employers and you must not enter into agreements to work for any ATRS employer before your termination separation period ends. If you have signed a contract in the Spring to work in the 2011-2012 school year, you must resign and withdraw

from that future contract. This means you cannot earn any income from an ATRS employer, even for one (1) day of work or substituting. A new retiree can volunteer during the termination separation period as long as the volunteering is not used to hold a position open during the termination separation period. If you have any questions, you are strongly encouraged to get written clearance from ATRS before a mistake is made since the enforcement is strict and the outcome is often financially harsh on a member.

- **If you work for an ATRS employer as a retiree, is your retirement benefit reduced or suspended?**

Once your termination separation period has ended, you can work as much as you like for ATRS employers without any impact on your benefits. The earnings limitation that once applied to members returning to work for an ATRS employer was repealed in 2009. You can work full time in retirement and obtain a full salary and also receive your full retirement benefits without suspension or reduction. ATRS has approximately 5,000 retirees working in schools while the retiree still receives 100% of his or her retirement benefits.

- **What does ATRS have to do with health insurance benefits?**

ATRS does not manage or administer health insurance for ATRS retirees. That program is administered by a separate state entity called Employee Benefits Division (EBD). The contact information for EBD is on the ATRS website. All ATRS does is withhold any health insurance premiums and forward the premiums to EBD on behalf of the retiree.

- **As a retiree, do you need to keep anything else in mind about retirement benefits?**

Yes. Members may change addresses after retirement. If you move or change addresses, you should contact ATRS immediately in order to ensure that you receive all updates and important information such as tax documents from ATRS. In addition, if you change banks or the bank changes account numbers, notification to ATRS will prevent a delay in receiving your monthly benefit. ATRS is always available for member and retirees for questions and assistance as needed.