



## JULY 1, 2012 RETIREMENT

### FAQ'S

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

*A large majority of ATRS members 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 gain an earlier right to receive a cost of living allowance (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, 2012 retiree and retire later in 2012, then the first COLA the members will receive will be in July 2014.*

#### **Q 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:*

- 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.)*

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

*Based upon policy and law changes that have occurred over time, old benefit estimates may have substantially changed. You can call ATRS (501-682-1517 or 1-800-666-2877), email ATRS (info@artrs.gov), or drop by ATRS offices during regular business hours, 8:00 am – 4:30 pm, and obtain an updated estimate of your benefits. This will ensure that you are making your decision to retire based on the most current information.*

**Q 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 any outstanding purchase of service account before you retire. ATRS strongly encourages members to have all service purchase agreements fully paid by May 31, 2012, to prevent the service from being excluded due to failing to pay before the deadline.*

**Q Are you eligible to purchase additional service?**

*An active (working) member (who did not have a service purchase plan in place by July 1, 2011) may be eligible to purchase service in the system at actuarial cost, thus increasing the total number of years used in the calculation of benefits for the members. In general, the types of service a member may purchase are as follows:*

- Changing noncontributory service to contributory service*
- Repayment of refunded service (ATRS paid contributions plus interest to the member)*
- Overseas teaching service*
- Out-of-state teaching service*
- Private School teaching service*
- Sabbatical leave*
- Prior service (unreported in an ATRS covered position)*
- Domestic Federal service*

- Federal Retirement service
- National Guard and Armed Forces Reserve Service
- Military Service

Although time is short to complete a purchase of service process and still be a July 1, 2012, retiree, it is still possible in many instances. For July 1, 2012, retirees, service purchases must be completed before you retire for the service to be counted for benefit calculations. ATRS strongly encourages those members who are interested in purchasing service to **immediately** contact the ATRS Benefits & Counseling Department at **501-682-1517** or **1-800-666-2877** for estimated costs and further information.

**Q Have you obtained a retirement application from ATRS?**

Some members make a decision to actually retire at the last minute. ATRS will gladly provide a retirement application for completion. The application has certain areas 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, including the employer's portion, in the event you make a last minute decision to retire.

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

To be a July 1, 2012, retiree, ATRS must receive your retirement application on or before May 31, 2012. 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, 2012, is required.

Feel free to call (**501-682-1517** or **1-800-666-2877**) and confirm the receipt of your retirement application by ATRS after you submit it. ATRS will gladly confirm receipt of the retirement application.

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

The answer is **NO**. A member may withdraw his or her application at any time prior to the effective date of retirement, July 1, 2012. However, once a member has retired, he or she will have two (2) months from his or her retirement effective 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. **PLEASE NOTE:** A member's retirement can also be voided by the member failing to properly terminate employment and to **remain** terminated during the member's applicable termination separation period. This issue is addressed more thoroughly below.

**Q What paperwork/documentation should accompany your application?**

If ATRS does not already have it on file, ATRS will need a copy of your Social Security card and birth certificate. Depending on which option you select at the time of retirement (Straight Life, Option A, B, or C – see further explanation below), you may also need to provide a copy of your marriage certificate and your spouse's Social Security card and birth certificate. You will also need to update all beneficiary forms (Residue Death and Lump Sum Death Form).

**Q What happens if you cannot 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, 2012, and give you six (6) calendar months after the effective date of retirement, July 1, 2012, to submit all additional documents required by ATRS. During the time it takes to receive **all** required documents, you will **NOT** begin receiving benefits. Once ATRS receives the required documents, ATRS will pay all benefits that were held pending the receipt of the required documents and, of course, continue all benefits thereafter. However, if the required documents are not received by the deadline (6 months after the effective date of retirement), the retirement application will be voided unless an extension is granted by ATRS which will only be granted for good cause shown.

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

*First, even before you submit your application and related 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 (501-682-1517 or 1-800-666-2877), email (info@artrs.gov), or come by the ATRS offices for all assistance needed in processing your retirement decision.*

*Once you file your 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 (see below for more information on Options). However, from a member's effective 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.*

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

*ATRS has four (4) basic elections for benefit payments. All benefit elections cover the ATRS retiree for the retiree's lifetime and three (3) of the elections allow the retiree to cover another individual (option beneficiary) after the retiree's death for all or part of the option beneficiary's 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 to your designated beneficiary 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 left, 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, in many instances, a residual balance will remain payable after the member's death.*

**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 members dies first, for the rest of the eligible spouse's life. 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 (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 Option A or Option B, a monthly benefit will be payable until both the member and his or her beneficiary are deceased.

If a member elects an Option A benefit (100% 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, upon the member's death, 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 (as if the member had originally selected the "straight life annuity" as described above).

**Option A Example:** The member elects an Option A benefit and has a monthly benefit of \$2,500. If the member dies, the Option A beneficiary receives an approximate benefit of \$2,500 for the rest of his or her lifetime with an annual 3% COLA added each July 1.

If a member elects an Option B benefit, the member's "straight life annuity" is reduced by a predetermined formula developed by ATRS actuaries and one half or 50% of the member's monthly Option B benefit will be paid to a surviving option beneficiary (spouse or incapacitated child) 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 (as if the member had originally selected the "straight life annuity" as described above).

**Option B Example:** The member elects an Option B benefit and has a monthly benefit of \$2,500. If the member dies, the Option B beneficiary receives an approximate benefit of \$1,250 for the rest of his or her lifetime with an annual 3% 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 (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 twenty-five (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 and the Option C beneficiary does not have to be a relative (even a charity can be named). 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 C reduction for the benefit.*

**Option C Example:** *The member elects an Option C benefit and is paid a monthly benefit of \$2,500 and dies six (6) months later. The Option C beneficiary will receive a monthly benefit of \$2,500 for the nine and one-half (9.5) years along with a 3% simple COLA each year.*

**NOTE:** *For an Option beneficiary, ATRS requires a copy of the beneficiary's Social Security card. In addition, under Option A or Option B, ATRS requires a copy of the spouse's birth certificate and a copy of the marriage license. For an incapacitated child, ATRS requires a probate order, birth certificate and a Social Security card.*

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

*Most members prefer naming beneficiaries to ATRS benefits payable upon their death. Members are not required to name a beneficiary but should strongly consider doing so. If the member does not name a beneficiary, then their estate is paid any benefits from ATRS once proper legal action is taken in the member's estate (this can take several months). Residual beneficiaries are explained under Straight Life above. 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. Members may need to make up to three (3) separate beneficiary designations.*

**First Designation:** *If the member elects Option A, B, or C (explained above), the member will identify the designated option beneficiary.*

**Second Designation – 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 will receive 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, then the spouse is **not** entitled to elect Option A and will **not** 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 and, 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.

**Third Designation – Death Benefit:** Members with ten (10) years of **actual** service (cannot be reciprocal service or non-ATRS purchased service) are entitled to a death benefit 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.

**Q Did you know that members with ten (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 of Trustees 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 retirement. This adds \$900 per year to long-serving members of ATRS.

**Q You are approved as a July 1, 2012 retiree – what do you need to know?**

**Social Security:** Many members are concerned that the receipt of Social Security benefits will reduce his or her ATRS benefit. **This is untrue.** Although 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 Social Security benefit has **no** impact whatsoever on your ATRS Benefit.

**Receipt of Monthly Benefits:** As a July 1, 2012 retiree, your first benefit payment will be made on the last working day of July. ATRS benefits are almost always paid on the last business day of **each** month. In almost all instances, ATRS pays monthly benefits electronically to your bank account. At the time of retirement, ATRS will work with you to obtain the 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.

**Health Insurance:** 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 EBD is on the ATRS website. All ATRS does is withhold any health insurance premiums and forward those premiums to EBD on behalf of the retiree.

**Q What about employment after you have retired on July 1, 2012 – what do you need to know?**

**New Retirees who are age 65 or older:** If you are 65 on or before June 30, 2012, you can receive your first retirement check at the end of July and enjoy your retirement or, you can also continue working at an ATRS employer without termination or any separation. In fact, at any time you can sign a contract to work for the 2012-2013 school year. Since you have reached age 65 or older, ATRS does not require you to terminate employment or have a separation period.

**New Retirees with 38 or more years of credited service and UNDER age 65:** Since you are under age 65 and have 38 or more years of credited service, you must terminate your employment with an ATRS employer as of June 30, 2012, and remain terminated with all ATRS employers, including colleges, for the calendar month of July. 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 to work in the 2012-2013 school year, you must withdraw from that future contract. This means you cannot earn any income from any 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. ATRS strictly enforces this requirement and failure to properly terminate and comply with the termination separation period is often financially harsh on a member since the member must submit a new retirement application and repay all benefits received from the voided retirement.

**New Retirees with less than 38 years of credited service and UNDER age 65:** Since you are under age 65 and have less than 38 years of credited service, you must terminate employment as of June 30, 2012 with all ATRS employers, including colleges, for six (6) calendar months. You must stop working for all ATRS employers and you must not enter into any agreements to work for any ATRS employer before your termination separation period (six (6) calendar months) ends. If you have signed a contract for the 2012-2013 school year, you must withdraw from that future contract. 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 strong encouraged to get written clearance from ATRS before a mistake is made. ATRS strictly enforces this requirement and failure to properly terminate and comply with the termination separation period is often financially harsh on a member since the member must submit a new retirement application and repay all benefits received from the voided retirement.*

**Q 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 any ATRS employer 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. After completing the separation termination period applicable to you, you can work full time, obtain full salary, and also receive your full retirement benefits without suspension or reduction. ATRS currently has approximately 3,000 retirees working at an ATRS employer while still receiving 100% of his or her retirement benefit.*

**Q Anything else you need to keep in mind or know regarding retirement?**

*Yes. Members may change addresses or bank accounts during their retirement. If you move or change address, you should contact ATRS immediately in order to ensure that you receive all updates and important information such as tax documents forms. In addition, if you change banks or the bank changes account numbers, prompt notification to ATRS will prevent a delay in receiving your monthly benefit. Also, a change in your marital status could provide alternative options or prompt changes in your beneficiary forms. Many ATRS forms are available at the ATRS website at [www.artrs.gov](http://www.artrs.gov).*