

**SETTING, REPORTING, AND PAYMENT OF EMPLOYER CONTRIBUTIONS**

(A.C.A. §§ 19-5-106, 24-7-401, 24-7-1303, Act 300 of 1993; Act 1194 of 1995; Act 142 of 1997; Act 865 of 1999; Acts 340 and 992 of 2003; Act 992 of 2003; and Act 1968 of 2005, and Acts 97 and 298 of 2007)

(SEE ALSO RULE NOS. 7-1 AND 7-3.)

The effective date for these rules changes will be July 1, 2005.

**DEFINITIONS**

1. **Covered salary** means, effective July 1, 2003, employees' regular and federal salaries for the current fiscal year plus supplemental salary payments received for the previous fiscal year(s), plus adjustments agreed upon by both the employer and the Teacher Retirement System. For each member who first became a member before July 1, 1971, the covered salary for each year after June 30, 1969, is the first \$7,800.00 of the member's total annual salary for all covered employment (Salary Option 2) unless he/she has elected to make contributions to the System on full salary. For each member who first became a member after June 30, 1971, or has elected to make contributions on full salary, the covered salary is his or her full salary for all covered employment (Salary Option 1). If, however, a member making contributions only on the first \$7,800.00 of total annual salary (Salary Option 2) receives a refund of contributions and subsequently returns to covered service as a noncontributory member, he or she shall be considered on full salary for reporting purposes (Salary Option 1).

**Salary** means the remuneration paid to an employee in a position covered by the Arkansas Teacher Retirement System and on which the employer withholds federal income tax.

2. **Participating employers** means local school districts, cooperative education services areas, vocational centers, the Department of Correction, open enrollment charter schools, all public postsecondary institutions, the educational components of certain state agencies and instrumentalities, or an educational nonprofit corporation approved by the Board of Trustees in accordance with rules and regulations established by the Board.
3. **Adjustments** include, but are not limited to, error corrections, payments for members who were omitted from the correct reporting period, and any adjustments agreed to by both the employer and the Teacher Retirement System.

**RULES FOR SETTING THE EMPLOYER CONTRIBUTION RATE**

1. Effective July 1, 2003, the employer contribution (matching) rate shall be the rate established by the Board of Trustees of the Arkansas Teacher Retirement System prospectively for each year pursuant to A.C.A. §§ 24-2-701(c) and 24-7-401(c).

2. The rate shall be set by the Board following consultation with its actuary. In determining such rate, the Board shall consider the financial objectives set forth in A.C.A. § 24-2-701 and §24-7-401 and shall base the rates on the actuary's determination of the rate required to fund the plan in accordance with these financial objectives.
  - A. The employer contribution rates for the fiscal years ending June 30, 2008, and June 30, 2009, shall not exceed fourteen percent (14%).
- ~~3. For the fiscal years ending June 30, 2006, and June 30, 2007, the Board shall establish employer rates prospectively each year.~~
  - ~~A. Beginning July 1, 2003, through June 30, 2004, if the System's unfunded actuarial accrued liabilities exceed a thirty (30) year amortization period, the Board, based on the actuary's determination, may increase the contribution rate, but the increase shall be no more than one percent (1%) above the rate in effect on June 30, 2003.~~
  - ~~B. Beginning July 1, 2004, the Board, based on the actuary's determination, may increase or decrease the contribution rate, but the rate shall not be increased by more than one percent (1%) above the rate in effect on June 30, 2004.~~
  - ~~C. For the fiscal year ending June 30, 2006, the employer contribution rate shall not exceed fourteen percent (14%).~~
  - ~~D. For the fiscal year ending June 30, 2007, the employer contribution rate shall not be increased by more than one percent (1%) above the rate in effect on June 30, 2006.~~
  - ~~E. B.~~ If the costs of benefit commitments for service previously rendered are overfunded, the plan may deduct a level payment that, if deducted annually over a reasonable period of future years, will fully liquidate the overfunded portion of the costs.
3. The Arkansas Teacher Retirement System shall annually notify the local school districts, the Department of Education, and other participating employers of the employer contribution rate established by the Board for the upcoming fiscal year.
4. Pursuant to A.C.A. § 24-7-103, participating employers shall pay the Teacher Retirement employer contributions for eligible employees in accordance with these rules and regulations.
5. The Department of Education shall pay from the Public School Fund the Teacher Retirement employer contributions for eligible employees of participating employers as required by the department's biennial appropriations act and in accordance with rules established by the Board. Beginning with the 1996-97 school year, special language in the Department of Education's biennial appropriations for grants and aids to local school

districts requires that the appropriation for Teacher Retirement matching each fiscal year be used for employees of the Cooperative Education Services Areas, Vocational Centers, Arkansas Easter Seals, and the school operated by the Department of Correction<sup>1</sup>.

## **GUIDELINES RULES FOR REMITTING REPORTING EMPLOYER CONTRIBUTIONS**

- ~~1. The Board of Trustees of the Arkansas Teacher Retirement System shall annually notify the local school districts, the Department of Education, and other employers of the employer contribution rate established by the Board for the upcoming fiscal year.~~
  - ~~A. Beginning in 1995, pursuant to A.C.A. §24-7-103, local school districts shall pay the teacher retirement employment contribution for any eligible employees in accordance with these rules and regulations.~~
  - ~~B. The Department of Education shall pay from the Public School Fund the teacher retirement employer contributions for eligible employees of certain employers as required by the department's biennial appropriations act and in accordance with these rules. Beginning with the 1996-97 school year, special language in the Department of Education's biennial appropriations for grants and aids to local school districts (the most recent being Section 30 of Act 2131 of 2005) requires that the appropriation therein for teacher retirement matching each fiscal year be used to provide the employer matching for employees of the Cooperative Education Services Areas, Vocational Centers, Arkansas Easter Seals, and the school operated by the Department of Correction.~~
  - ~~C. All other participating employers shall pay the teacher retirement employer contribution for eligible employees in accordance with these rules and regulations.~~
2. 1. The annual employer contributions to be paid in each fiscal year by each participating employers shall be the current state ATRS employer contribution percent rate multiplied by the active employees' total covered salaries of the employer's members in the fiscal year.

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<sup>1</sup> Active employers as of 2006-2007 are: 1307 SW AR Educ. Coop., 1308 SE AR Educ. Coop., 1330 Western AR Educ. Coop., 1332 North Central Educ. Coop., 1336 Ozark Unlimited Resource Coop., 1337 NE AR Educ. Coop., 1338 Howard Dawson Educ. Coop., 1339 Arch Ford Coop., 1345 Wilbur D. Mills Educ. Serv. Coop., 1349 AR River Educ. Services Coop., 1350 Great Rivers Educ. Coop., 1351 NW AR Educ. Services Coop., 1353 DeQueen-Mena Educ. Coop., 1354 Crowley's Ridge Coop., 1355 South Central Services Coop., 1359 Conway Vocational Center, 1362 Jonesboro Vocational Center, 1363 Monticello Vocational Center, 1365 North Central Career Center, 1366 River Valley Vocational Center, 1370 Russellville Vocational Center, 1371 Metropolitan Vocational Center, 1372 Texarkana Vocational Center, 1373 Warren Vocational Center, 06864 Easter Seals, 1-328 AR Department of Corrections. Inactive employers as of 2006-2007 are: 1358 Camden Vocational Center, 1360 Fayetteville Vocational Center, 1367 AR Educ. Service Center.

3. ~~2.~~ The employer contributions are to be remitted to the System ATRS in such the manner, and form, and in such frequency and shall be accompanied by such supporting data documentation as determined by the Board shall prescribe from time to time. Timely payment of the contributions shall be a condition of continued participation in the System.
4. ~~3.~~ In order that each to ensure members of the Teacher Retirement System may receive credited service for days of service, covered salary, and contributions on in a timely basis manner, each employers shall report employee and employer contributions to the System on the following schedule:

Monthly Remittance Reports (D-1 Regular Active Members; T-1 T-DROP Members)

*Date Due:* Tenth (10<sup>th</sup>) calendar day following the end of each month. To avoid the late report penalties and interest penalties on late contributions (see page 7-4-4 (Nos. 7 and 8), reports must be received by the 15<sup>th</sup> day of the month or must be postmarked by the 14<sup>th</sup> day of the month due. If the 14<sup>th</sup> falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.

Quarterly Reports (D2A Regular Active Members; T-DROP Members)

*Date Due:* Tenth (10<sup>th</sup>) calendar day following the end of each quarter. ~~Tenth (10<sup>th</sup>) calendar day following the end of each month.~~ To avoid the late report penalties (see page 7-4-4 (Nos. 7 and 8) reports must be received by the 15<sup>th</sup> day of the month or must be postmarked by the 14<sup>th</sup> day of the month due. If the 14<sup>th</sup> falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.

5. ~~4.~~ Each of the ~~above~~ reports listed above must be on forms or electronic media either furnished by the Teacher Retirement System or approved by the System.
6. ~~5.~~ For Cooperative Education Services Areas, Vocational Centers. Arkansas Easter Seals, and the school operated by the Department of Correction (paid by the Department of Education from the Public School Fund), the Teacher Retirement System shall certify to the Department of Education at the close of each quarterly report the amount of employer contributions due. The amount will be based on the ~~current year's covered~~ employers' reported salaries.
7. ~~6.~~ The monthly remittance of employer contributions shall be due in the ATRS office by the tenth (10<sup>th</sup>) calendar day following the end of each month. Under ~~Act 300 of 1993 (A.C.A. § 24-7-411),~~ a \$150.00 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15<sup>th</sup> day of the month or postmarked by the 4<sup>th</sup> day of the month due. If the 14<sup>th</sup> falls on Saturday, Sunday, or a holiday, the postmarked date is extended to the next working date.

8. ~~7.~~ On the 14th of each month in which a payment is due, the The Teacher Retirement System will may certify to the state's Chief Fiscal Officer of the State Department of Education the names of local school districts and entities whose employer matching is paid from the Public School Fund and to the Treasurer of State the names of other employers who have failed to remit their monthly payment. Pursuant to A.C.A. §24-7-411, the amount of the participating employers who are delinquent in reporting and remitting contributions under this policy. Upon notification, the Chief Fiscal Officer may direct a transfer of funds on deposit in the State Treasurer's Office for any delinquent employer payments plus the six percent (6%) interest penalty to the System. ~~will be withheld from any monies due the employer from the Treasurer of State and the Department of Education as provided in A.C.A. §19-5-106(a)(5).~~
9. ~~8.~~ Supplemental salary payment reports for previous years will be accompanied by the employer contributions due (based upon the rate in effect the year payment was due).
10. ~~Effective July 1, 2003, the Arkansas Teacher Retirement System shall return to the participating employers the employer matching remitted for members who rendered less than 30 days of service during the current fiscal year. Employer matching shall be returned within three (3) months after the close of the fiscal year.~~
11. ~~9.~~ The Arkansas Teacher Retirement System shall return to participating employers amounts overpaid in employer matching amounts due to, but not limited to, erroneous submission of payments, member's termination of employment, or incorrect reporting of Salary Option 2 (first \$7,800.00) member salaries. If an overpayment of employer matching amount is of less than \$25.00, is reported from the local level, no the refund of this amount will not be made issued to the employer, except upon written unless requested in writing from by the employer.
12. ~~10.~~ The Arkansas Teacher Retirement System shall not collect from participating employers the an underpayment of employer contributions of amount if less than \$25.00.
13. ~~Beginning July 1, 1998, should an employer fail at any time to report the salary of a member and remit the contributions to the System, the System shall have the right to collect from the employee and the employer the contributions due, if any, from each, together with interest beginning with the subsequent fiscal year; provided further that in no case shall a member be given credit for service rendered until any contributions and interest due from each are paid in full. Service credit will be granted upon completion of contribution and applicable interest payments for that fiscal year.~~
14. ~~11.~~ For persons who are members retiring and who are employed in by agencies or other institutions that use the state's 26-week payroll schedule, employers should report to Teacher Retirement the salary, contributions, and

~~actual days worked through the current year payroll period adhere to the state's fiscal year payroll schedule for reporting the last salary payment of the state's fiscal year and for the termination date of employment. Contributions should not be withheld on any salary earned after the close of the current year's payroll, nor should any salary or days of service be reported for that period of time.~~

~~15 Provisions Concerning Employer Matching for Teacher Deferred Retirement Option Plan (T-DROP) Participants:~~

**RULES FOR REPORTING T-DROP EMPLOYER CONTRIBUTIONS**

- ~~1 A. The participating employers' annual T-DROP employer matching contributions to be paid each fiscal year beginning September 1, 2003, by participating employers shall be the contribution rate as defined below multiplied by the total T-DROP member salaries. obligation, pursuant to Act 992 of 2003 (A.C.A. § 24-7-1303), in a fiscal year shall be the current year's regular and federal total salaries beginning September 1, 2003, times the employer rate as listed below.~~
- ~~† A. For members whose effective date in T-DROP is before September 1, 2003, the employer contribution rate to the Arkansas Teacher Retirement System on behalf of all members in the T-DROP shall be at the rate of:~~
- ~~• One percent (1%) for the period from September 1, 2003, through June 30, 2005~~
  - ~~• Three percent (3%) for the period from July 1, 2005, through June 30, 2007~~
  - ~~• Six percent (6%) for the period from July 1, 2007, through June 30, 2009~~
  - ~~• Nine percent (9%) for the period from July 1, 2009, through June 30, 2011~~
  - ~~• Twelve Percent (12%) after July 1, 2011, for the period from July 1, 2011, through June 30, 2013~~
  - ~~• After July 1, 2013, the percentage rate established by the entity having the authority to set the employer contribution rate for the System pursuant to A.C.A §24-7-401.~~
- ~~†† B. For members whose effective date in T-DROP is on or after September 1, 2003, the employer contribution rate on behalf of members in the T-DROP shall continue at be the rate established by the Board of Trustees of the Arkansas Teacher Retirement System entity having the authority to set the employer contribution rate for the System pursuant to A.C.A § 24-7-401.~~
- ~~B 2. Until and on August 31, 2003, employer contributions on behalf of the members participating in the T-DROP may be retained by the school district.~~

~~C-3~~. Except for employer contributions to the Arkansas Teacher Retirement System beginning September 1, 2003, the school district shall not make contributions to any tax-qualified retirement plan on behalf of any employee participating in the T-DROP.

**Amended:** June 17, 2003

April 6, 2004

**Reaffirmed:** June 15, 2004

**Amended:** July 18, 2005

**DIRECT ROLLOVER ELIGIBILITY**

(A.C.A. § 24-7-719, § 24-7-406)

(As amended by Act 97 of 2007)

**DEFINITIONS**

**Direct rollover** means the payment of an eligible distribution to an IRA or another eligible employer benefit plan.

**Eligible rollover distribution** means that portion of a distribution that may be rolled over to an IRA or other qualified employer benefit plan.

**Eligible retirement plan** means an individual retirement account, retirement annuity or employer benefit plan that accepts direct rollovers.

**RULES****1. ACCEPTING ROLLOVERS FOR PAYMENT ON ATRS PURCHASE ACCOUNTS**

~~1.~~ A. ATRS will accept participant rollover contributions and/or direct rollovers ~~of distributions~~, for the purchase of service credit from:

i. A qualified plan described in Sections 401(a) or 403(a) of the IRS Code, excluding after-tax employee contributions;

B ii. An annuity contract described in Section 403(b) of the Code, excluding after-tax employee contributions; or

C. iii. An eligible plan under Section 457(b) of the Code maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

2. B. ATRS will accept a participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in Sections 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income

**2. ROLLOVER ELIGIBILITY OF ATRS DISTRIBUTIONS**

A. ATRS may pay the following plan distributions as a direct rollover to the Trustee of a qualified plan upon the election of the member or the member's spouse (at the member's death):

i. Refund of accumulated contributions plus regular interest paid to the member or spouse beneficiary under § 24-7-711;



ii. Single distributions of a member's T-DROP account under § 24-7-1308;

iii. Distributions of the reserve value of a member's account under § 24-7-716;

iv. Residue payments to a spouse beneficiary under § 24-7-709; and

v. Lump sum death benefit payments to a spouse beneficiary under § 24-7-720.

B. A rollover of an ATRS distribution is limited to a single rollover for each distribution.

C. ATRS requires a minimum distribution amount of \$2,500 in order to roll over a distribution.

D. The depository trustee shall certify to the System that the rollover deposit account is "qualified" and eligible to receive rollover distributions prior to a distribution being rolled over.

E. The System shall not roll over a distribution into an employer benefit plan, retirement account, or other annuity if it fails to qualify under the IRS regulations for acceptance of rollovers.

**Adopted:** February 3, 2004

**Amended:** June 15, 2004