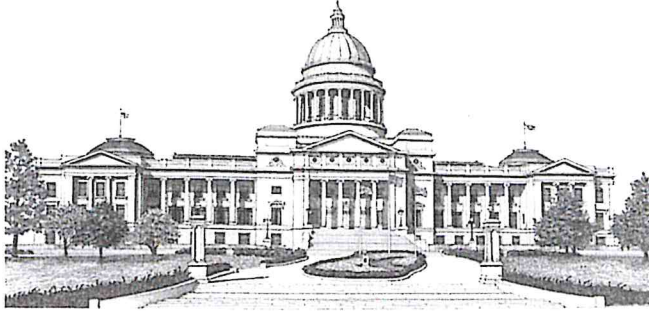


ARKANSAS REGISTER

Transmittal Sheet

Use only for **FINAL** and **EMERGENCY RULES**



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For Office
Use Only:

Effective Date _____ Code Number _____

Name of Agency Arkansas Teacher Retirement System

Department Administration

Contact Clint Rhoden E-mail clintr@artrs.gov Phone 501-588-4367

Statutory Authority for Promulgating Rules A.C.A. §§ 24-7-305 and 25-15-216

Rule Title: Rule 8 - Purchases and Refunds

Intended Effective Date
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Electronic Copy of Rule e-mailed from: (Required under ACA 25-15-218)

Jennifer Liwo

jenniferl@artrs.gov

5/10/2022

Contact Person

E-mail Address

Date

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with the Arkansas Administrative Act. (ACA 25-15-201 et. seq.)

Signature

501-588-4367

Phone Number

clintr@artrs.gov

E-mail Address

Executive Director

Title

05/05/2022

Date

ATRS RULE 8
FREE SERVICE CREDIT, PURCHASABLE SERVICE CREDIT, AND
PURCHASE ACCOUNTS

Arkansas Code §§ 24-1-107, 24-7-406, 24-7-601, 24-7-602, 24-7-607, 24-7-711,
24-7-719, and 24-7-735

I. Definitions

- a. "Armed forces reserve" means one (1) of the reserve components of the United States Armed Forces;
- b. "Domestic federal service" means service rendered as a teacher or administrator in a school or similar institution located on a military base or installation that is administered by the United States Department of Defense;
- c. "Out-of-state service" means service performed in a state other than Arkansas and in a position that would have been covered by the Arkansas Teacher Retirement System (ATRS) if the service had been actual service performed in Arkansas and covered by ATRS;
- d. "Overseas service" means service in:
 1. An American-related overseas school that is sponsored and approved by either the United States Department of State or the United States Department of Defense; or
 2. The Peace Corps or AmeriCorps VISTA, Volunteers in Service to America;
- e. "Private school service" means:
 1. Service rendered in a private school, or agency that would have been covered by ATRS if the:
 - A. Service had been rendered in a public school; and
 - B. Private school or agency:
 - i. Has positions that would require the issuance of a teaching license in a public school based on a determination by ATRS; or
 - ii. Is recognized as a private education-related entity by resolution adopted by the Board of Trustees of the Arkansas Teacher Retirement System (Board); and
- f. "Uniformed Services of the United States" means service in the:
 1. United States Armed Forces;
 2. Army National Guard;
 3. Air National Guard when engaged in active duty for training, state active duty, inactive duty training, or full-time National Guard duty;
 4. United States Commissioned Corps of the Public Health Service; and
 5. Any other category of persons designated by the President of the United States in time of war or emergency.

II. Free Service Credit

a. Military Service Credit

1. Generally

- A. A person may establish military service credit with ATRS at any time after becoming a member.
- B. Military service credit established with ATRS is effective after the member completes five (5) years of actual service in ATRS, excluding military service credit.
- C. ATRS shall provide a member with military service credit after the member:
 - i. Completes and submits Form M-1 to ATRS; and
 - ii. Submits official military documentation listing the entry and discharge dates of the member's first enlistment or induction into the United States Armed Forces.
- D. Military service credited to a member before July 1, 1986, shall be considered contributory service.
- E. Military service credited to a member shall not exceed five (5) years unless the member is entitled to service credit for service in the uniformed services of the United States. (Arkansas Code § 24-7-602(c)).
- F. Military service shall be credited in order of the years that are chronologically closest to the member's service with a covered employer.
- G. A member shall not receive military service credit for military service years resulting from the member's reenlistment or voluntary extension of his or her initial enlistment.
- H. Free military service shall be credited to a member's account on a prorated basis if the member has both contributory and noncontributory service.

2. Federal Military Draft

A. New Members

- i. A member who is first employed after serving in the United States Armed Forces during a period of time in which the military draft was in effect is eligible to receive free military service credit if the member:
 - ii. Completes five (5) or more years of actual service in ATRS; and
 - iii. Receives an honorable discharge.

B. Active Members

- i. An active member who enters the United States Armed Forces during any period that a federal military draft was in effect and who becomes an active member after an honorable discharge from the United States Armed Forces may receive free military service credit regardless of whether the member has five (5) or more years of

credited service at the time of his or her reemployment.

- ii. An active member who enters the United States Armed Forces during a period that a federal military draft was in effect and obtains a refund of member contributions from ATRS may receive free military service credit if the member:
 - a. Receives an honorable discharge from the United States Armed Forces; and
 - b. Repays the actuarial equivalent of the member's refunded service to ATRS before retiring.

III. Purchasable Service Credit

a. Military Service Credit

1. Service in the United States Armed Forces

A. A member shall receive service credit for service in the United States Armed Forces that cannot be credited to the member under Arkansas Code § 24-7-602(a) if the member pays ATRS the actuarial equivalent for the service credit.

2. Service in the Uniformed Services of the United States

A. Effective December 12, 1994, a member shall be treated as not having incurred a break in service with a covered employer if the member:

- i. Leaves employment with a school to voluntarily or involuntarily serve in the uniformed services of the United States; and
- ii. Returns to employment with a school.

B. A member's absence from his or her employment with a school due to his or her service in the uniformed services of the United States shall not exceed five (5) years.

C. A member described in this ATRS Rule 8 III.a.2.A shall accrue benefits for the time he or she served in the uniformed services of the United States if:

- i. The member pays the employee contributions as provided in Arkansas Code § 24-7-406; and
- ii. Employer contributions are paid for the time the member served in the uniformed services of the United States.

b. Service in National Guard and Armed Forces

1. A member may purchase up to five (5) years of service for his or her service in the National Guard or armed forces reserve.

2. A member shall receive credit for service in the National Guard or armed forces reserve if the member:

A. Submits an application for National Guard or armed forces reserve service credit to the Board;

B. Provides ATRS with satisfactory proof of his or her service in the National Guard or armed forces reserve;

- C. Pays ATRS, in full, the actuarial equivalent of the member's benefits for each year of National Guard or armed forces reserve service credit being purchased; and
 - D. Has established at least five (5) years of actual service with ATRS, excluding National Guard or armed forces reserve service.
3. ATRS shall not credit a member with more than five (5) years of service for service in the National Guard of armed forces reserve.
- c. Domestic Federal Service
- 1. Beginning January 1, 2003, a member may purchase up to ten (10) years of domestic federal service that shall be credited if:
 - i. The member:
 - i. Has contributions left on deposit with another system and the domestic federal service credit being purchased is limited to service for which another system similar in purpose to ATRS, except for Social Security, could not pay a benefit;
 - ii. Pays ATRS, in full, the actuarial equivalent of benefits for each year of domestic federal service credit being purchased; and
 - iii. Has established at least five (5) years of actual service, excluding federal domestic service; and
 - ii. All other requirements set by rules adopted by the Board are met.
 - 2. A member may purchase a fraction of a year of domestic federal service that shall be credited if the:
 - A. Member has at least one-fourth (1/4) of a year of domestic federal service in a fiscal year; and
 - B. Fraction of a year of domestic federal service can be credited in accordance with Arkansas Code § 24-7-601.
- d. Out-of-State Service
- 1. Out-of-State Service — Purchased Before July 1, 1987
 - A. Out-of-state service purchased before July 1, 1987, shall be credited as service in accordance with the law in effect before July 1, 1987.
 - 2. Out-of-State Service — Purchased on and after July 1, 1987
 - A. A member may purchase up to fifteen (15) years of out-of-state service.
 - B. Out-of-state service shall be credited if:
 - i. The member:
 - a. Has contributions left on deposit with another system and the out-of-state service credit being purchased is limited to service for which another system similar in purpose to ATRS, except for Social Security, could not pay a benefit;
 - b. Pays ATRS, in full, the actuarial equivalent of benefits for each year of out-of-state service credit being purchased; and

- c. Has established at least five (5) years of actual service, excluding out-of-state service; and
 - ii. All other requirements set by rules adopted by the Board are met.
 - C. A member may purchase a fraction of a year of out-of-state service that shall be credited if the:
 - i. Member has at least one-fourth (1/4) of a year of out-of-state service in a fiscal year; and
 - ii. Fraction of a year of out-of-state service can be credited in accordance with Arkansas Code § 24-7-601.
- e. Overseas Service
 - 1. A member may purchase service credit for service in an overseas school if:
 - A. The member:
 - i. Has at least five (5) years of service in a position covered by ATRS; and
 - ii. Performs the minimum days of service at the overseas school required for a fiscal year of service credit;
 - B. The overseas service credit is limited to service for which another system similar in purpose to ATRS, except Social Security, could not pay a benefit; and
 - C. The actuarial equivalent of the member's benefits is paid to ATRS
 - 2. ATRS shall not credit a member with more than ten (10) years of overseas service credit.
- f. Service in the General Assembly
 - 1. A member of the Senate or House of Representatives of the General Assembly who is a member of ATRS shall receive credited service and salary in ATRS for his or her full contract salary if the:
 - A. School district requires the member's salary to be reduced during the member's attendance at:
 - i. Regular or extraordinary sessions of the General Assembly; or
 - ii. Interim meetings of regular or special committees of the General Assembly;
 - B. Member submits an application for General Assembly service credit to ATRS;
 - C. Member pays ATRS the necessary member contributions; and
 - D. Required employer contributions are paid to ATRS for the amount of the salary reduction during periods of the member's attendance at regular or extraordinary sessions of the General Assembly or sessions of legislative committees.
 - 2. A member of the Senate or House of Representatives who currently serves in the General Assembly or has served in the legislative committees for any

year that is within five (5) years of July 6, 1977, shall receive credited service and salary for his or her full contract if the:

- A. Member submits an application for General Assembly service credit to ATRS and pays the employee contributions; and
 - B. Required employer contributions are paid from the Public School Fund to ATRS for the portion of the contractual period in which the member's salary was reduced during the member's legislative service.
3. A member of the Senate or House of Representatives of the General Assembly who is an employee and member of ATRS shall receive credited service and salary for his or her full contract salary if:
- A. Either the member or school district decides it is in the best interest of the member to take a leave of absence for up to one (1) full calendar year at a time in order for the member to attend his or her duties as a member of the General Assembly; and
 - B. Both the required employee and employer contributions are paid to ATRS for the amount of the member's contract salary during periods in which the member attended sessions of the General Assembly or legislative committees.

g. Advanced Degree Service

1. Beginning June 28, 1985, a member who is a public school teacher or administrator and takes a leave of absence from a school in order to obtain an advanced degree at an institution of higher learning or to fulfill the requirements of a scholarship or grant shall receive credited service for the time of the member's actual enrollment in the institution if the member:
- A. Submits an application for the advanced degree service credit to ATRS; and
 - B. Pays the actuarial equivalent of the member's benefits to the system for each year of service credit being purchased.

h. Private School Service

1. Head Start Programs

- A. Employment with a Head Start program shall be considered private school service.

2. Certified Private School Service Credit

- A. A member may purchase up to fifteen (15) years of private school service to be credited as certified service if:

- i. The member:

- a. Has contributions left on deposit with another system and the private school service credit being purchased is limited to service for which another system similar in purpose to ATRS, except for Social Security, could not pay a benefit;
 - b. Pays ATRS, in full, the actuarial equivalent of benefits for each year of private school service credit being purchased; and

- c. Has established at least five (5) years of actual service, excluding private school service; and
 - ii. All other requirements set by rules adopted by the Board are met.
 - 2. Noncertified Private School Service Credit
 - A. A member may purchase up to five (5) years of noncertified private school service that shall be credited as noncertified service if:
 - i. The member:
 - a. Submits an application to purchase noncertified private school service to ATRS;
 - b. Has contributions left on deposit with another system and the noncertified service credit being purchased is limited to service for which another state-supported pension system or system similar in purpose to ATRS could not pay a benefit;
 - c. Pays ATRS, in full, the actuarial equivalent of benefits for each year of service credit being purchased; and
 - d. Has established at least five (5) years of actual service; and
 - ii. All other requirements set by rules adopted by the Board are met.
 - B. A member may purchase a fraction of a year of private school service that shall be credited if the:
 - i. Member has at least one-fourth (1/4) of a year of private school service in a fiscal year; and
 - ii. Fraction of a year of private school service can be credited in accordance with Arkansas Code § 24-7-601.
 - 3. Private Education-Related Entity Private School Service
 - A. A member may purchase up to five (5) years of private education-related entity private school service that shall be credited as noncertified service if:
 - i. The member:
 - a. Submits an application to purchase private education-related entity private school service to ATRS;
 - b. Has contributions left on deposit with another system and the private education-related entity private school service credit being purchased is limited to service for which another state-supported pension system or system similar in purpose to ATRS could not pay a benefit;
 - c. Pays ATRS, in full, the actuarial equivalent of benefits for each year of service credit being purchased;
 - d. Has established at least five (5) years of actual service; and
 - ii. All other requirements set by rules adopted by the Board are met.

i. Federal Retirement Service

1. An active member may purchase up to ten (10) years of federal retirement service that shall be credited if the:
 - A. Federal retirement service being purchased is limited to service for which the federal retirement system could not pay a benefit to the member;
 - B. Member submits an application to purchase federal retirement service to ATRS;
 - C. Member provides certification of his or her federal retirement service to ATRS on a form approved by ATRS;
 - D. Member pays ATRS, in full, the actuarial equivalent of benefits for each year of service credit being purchased; and
 - E. Member has established at least five (5) years of actual service, excluding federal retirement service.
2. A member shall complete at least one hundred sixty (160) working days before the member may establish one (1) year of federal retirement service credit.
3. One (1) month of federal service shall be considered twenty (20) days of service.
4. A member may purchase a fraction of a year of federal retirement service that shall be credited if the:
 - A. Member has at least one-fourth (1/4) of a year of federal retirement service in a fiscal year; and
 - B. Fraction of a year of federal retirement service can be credited in accordance with Arkansas Code § 24-7-601.
5. Federal retirement service credit shall be considered contributory service.
6. Purchased federal retirement service shall be credited to the fiscal year in which the service was rendered.
7. If a member is not an active member before establishing federal retirement service with ATRS, the member's contribution payments and regular interest shall be refunded.
8. Purchase account payments made through employer pick-up are subject to restrictions specified in this ATRS Rule 8, regulations, and the Internal Revenue Code.

IV. Cost of Service and Purchase Accounts

a. Generally

1. A member shall purchase service using ATRS approved forms.
2. A member who purchases service shall receive credit for the purchased service if the actuarial equivalent of both the employee and employer contributions, as calculated by ATRS, are paid to ATRS.
3. The requirement for service to be purchased at the actuarial cost shall not apply to free military service credit established with ATRS.

4. A salary earned for service purchased at the actuarial cost:
 - A. Shall not be used to calculate a member's final average salary; and
 - B. May be used to determine repaid refunds for service that is required to be reported within the refunded service.
- b. Contact Buyouts, Settlements, and Court Ordered Payments
 1. A member shall only earn service credit for actual, on-site work performed for a covered employer for the period specified in a contract buyout, settlement, or court ordered payment unless the member purchases service or salary that would have been received by the member if the member had been successful in his or her legal claim.
 2. A member shall purchase service or salary at the actuarial cost for service and salary that the member would have earned if the member had not been terminated.
 3. If a member is on call with a covered employer and not subject to either a contract buyout, settlement, or court ordered payment, the salary paid to the member as a regular employee shall be credited to the member.
 4. On call credit shall not be added to a member's salary with another covered employer.
 5. ATRS shall not adjust a member's service history until the:
 - A. Member or the member's covered employer provides a copy of the settlement, a file-marked court order, or a certified copy of the contract buyout to ATRS; and
 - B. Actuarial cost to purchase the service has been paid in full to ATRS.
- c. Actuarial Cost of Service — Purchase Formula
 1. A member's highest salary shall be used as the base year when calculating the actuarial cost for service being purchased by the member.
 2. A member's base year shall be the member's highest salary year unless the highest salary year is more than one hundred fifty percent (150%) greater than the next highest salary year.
 3. If a member's highest salary year is more than one hundred fifty percent (150%) greater than the next highest salary year, the highest two (2) salary years shall be added together and divided by two (2) to determine the base year to be used for calculating the actuarial cost for service being purchased.
 4. If a member does not have enough full service years to determine a base year for the purchase formula, a full year salary shall be used to determine the base year.
 5. A full year salary shall be calculated by dividing each partial year's service percentage into each partial year's salary.
 6. The actuarial cost for service to be purchased shall not include adjustments to salary and service that are made in order to properly reflect the member's mandatory salary and service record.
 7. Service purchased at the actuarial cost shall be contributory.

d. Purchase Accounts

1. Purchase Account Commitment Statement

- A. A purchase account established before July 1, 2011, shall have an approved Purchase Account Commitment Statement (PACS) on file with ATRS detailing the member's payment plan.
- B. A PACS may be modified with the agreement of the member and ATRS.
- C. A modification of a PACS may include changes to the type of payment, the duration of the service purchase agreement, and a decrease of the service purchased policy.
- D. The service purchased under a PACS shall not be increased.
- E. ATRS shall cancel a service purchase agreement with a member if the member fails to comply with the terms of the agreement.
- F. Purchase account payments shall be applied to the member's account on the date the payment is received by ATRS.

2. Rollover Payments

- A. ATRS shall accept participant rollover contributions and direct rollovers for the purchase of service credit from a qualified retirement plan.
- B. A depository trustee from a qualified retirement plan shall certify to ATRS that the rollover deposit account is qualified and eligible to receive rollover distributions before a distribution of a member's account monies.
- C. If the depository trustee is unable to certify the rollover deposit account as qualified and eligible to receive rollover distributions, ATRS shall accept a certification from a public accountant who has an active certified public accountant's license.
- D. A public accountant shall not certify a rollover deposit account as qualified and eligible to receive rollover distributions if the public accountant has an interest in the rollover deposit account as a member, spouse, or designated beneficiary.

3. Deceased Member

- A. If a member with an active purchase account dies, the member's spouse, beneficiary, or legal representative shall have up to six (6) months from the member's date of death to pay the balance of the purchase account unless the deadline is extended by ATRS for good cause.
- B. If the member's purchase account is not paid in full within six (6) months of the member's date of death, the purchase account shall be closed and payments made towards the purchase account shall be considered as part of the member's residual account balance.

4. Cancellation of Purchase Accounts

- A. A purchase account that is paid in full after a final payment has been tendered shall not be cancelled.
- B. A member's purchase account may be cancelled if:

- i. The member submits a written cancellation request to ATRS; and
 - ii. ATRS approves the cancellation request.
- C. ATRS may approve a cancellation request and refund a member's purchase account if the purchase account:
 - i. Is an account that has been paid only with after-tax contributions;
 - ii. Is an account that has been paid only with employer pick-up contributions and one (1) of the following applies:
 - a. All payments on the irrevocable payroll authorization have been completed;
 - b. The member terminates employment with the employer; or
 - c. The member retires; or
 - iii. Is an account that has been paid only with rollover or transfer contributions and the rollover or transfer contributions may be rolled over or transferred to another qualified plan or refunded to the member after the deduction and payment of federal taxes.
- D. If a member's cancellation request is approved by ATRS, ATRS shall refund the balance of the member's purchase account without interest to the member.
- E. ATRS shall refund interest to a member if a refund of interest is statutorily mandated under Arkansas Code § 24-7-612 or another applicable provision of the Arkansas Code.

V. Refunds

- a. Purchase of Refunded Service
 - 1. A member shall not purchase refunded service unless he or she purchases the total credited service forfeited by a refund.
 - 2. A repayment of refunded contributions shall be made in inverse order if the member has received more than one (1) refund of contributions.
 - 3. The most recent refund account shall be paid in full before a member may purchase a previous refund account.
- b. Refund of Member and Employer Contributions
 - 1. Overpayments
 - A. ATRS shall send written notification to a member or covered employer, as appropriate, of a contribution overpayment that is less than the de minimis amount that may be refunded.
 - B. ATRS shall not refund an overpayment of the member's contributions that is equal to or less than the de minimis amount unless the member submits a written request for a refund to ATRS within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS.
 - C. ATRS shall not refund an overpayment of employee contributions and employer contributions paid by the covered employer that is equal to or

less than the de minimis amount unless the covered employer submits a written request for a refund to ATRS within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS.

- D. If the member or covered employer does not submit a written request for a refund within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS, the amount of the contribution overpayment shall be forfeited to the trust assets of ATRS.
- 2. The total amount reported by the covered employer shall be credited to contributions.
- 3. The de minimis amount shall be periodically set by the Board, by board resolution, and shall remain the same amount until adjusted by the Board.
- 4. For refunded contributions, the rate of regular interest compounded annually after the first year of contributions shall be credited as follows:

Service	Regular Interest Rate
Before July 1, 1984	3%
For July 1, 1984 through June 30, 2009	6%
For July 1, 2010, through June 30, 2011	2%
For July 1, 2012, through June 30, 2017	1%
For July 1, 2017 and after	0.08%

- 5. Payable regular interest shall be computed:
 - A. On each member's individual account on June 30; and
 - B. By multiplying the balance in the member's individual account as of July 1, including contributions and regular interest credit from previous years, plus one-half (1/2) of the contributions for the year ending June 30 by the annual applicable regular interest percentage rate.
- 6. The Board, by board resolution, may change the regular interest rate on refunded contributions for subsequent years by stating the new regular interest rate, the date that the new regular interest rate is effective, and any other features necessary for implementing the regular interest rate.
- 7. Regular interest shall not be paid on contributions made in the year in which a refund of contributions is paid to a member.
- 8. ATRS shall issue a refund for a member's contributions that are closed on ATRS' books after receiving the member's properly completed refund application.
- 9. If a second refund payment is required to complete the refund of contributions, the second payment shall be made when all quarters of service the member works are closed on ATRS' books.
- 10. A rollover payment shall be made in one (1) payment when all quarters of service the member works are closed on ATRS' books.
- 11. A refund is effective on the date on which ATRS first issues a payment of the refund.

HISTORY

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