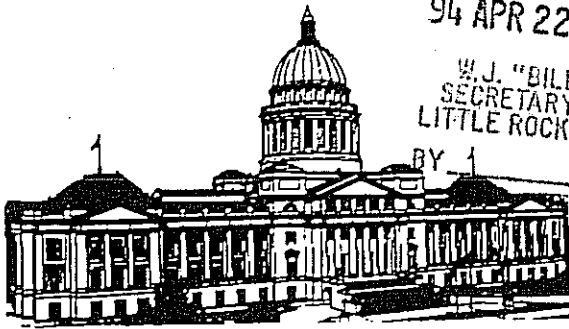


ARKANSAS REGISTER

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Transmittal Sheet



W.J. "BILL" McCUEN
SECRETARY OF STATE
LITTLE ROCK, ARKANSAS

BY 1

W. J. "Bill" McCuen

Secretary of State

State Capitol Rm. 010

Little Rock, Arkansas 72201-1094

For Office

Use Only:

Effective Date 4/1/94 Code Number 088.00.94--001

Name of Agency AR Teacher Retirement System

Department Administration

Contact Person Dr. Betty Anderson

Statutory Authority for Promulgating Rules AR Code Sec. 24-7-301

Date

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Adopted by State Agency 2-10-94

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with Act 434 of 1967 As Amended.

Betty Anderson
Signature

Deputy Director
Title

4/1/94
Date

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W.J. "BILL" McCUEN
SECRETARY OF STATE
LITTLE ROCK, ARKANSAS
BY _____

POLICIES, RULES AND REGULATIONS
OF THE
ARKANSAS TEACHER RETIREMENT SYSTEM

REVISED: February 10, 1994

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GENERAL PHILOSOPHY AND BELIEFS
of the Board of Trustees
of the Teacher Retirement System

1. The Board of Trustees is dedicated to the proposition that its paramount purpose is that of providing an adequate and equitable retirement plan for the members of the teaching profession; to protect this group in the event total and permanent disability causes them to become physically or mentally unable to continue employment in their profession; and to provide in part for their dependents in case of death before retirement.
2. We believe it is the duty of the board to fully support the educational program of the state and to participate in its activities.
3. We recognize the problems relating to reaching retirement age and offer counseling and information with reference to the personal account of the individual member.
4. The Board is charged with the responsibility of investing the funds of the System. The two more important factors in the investment policies are safety and yield. The yield is of first importance, provided such investments contain the necessary safeguards as are provided by law.
5. It is the duty of the Board to be fully informed of its financial liabilities not only to the retirants and beneficiaries on roll but also to recognize the vested rights of the active members of the teaching profession; to make these rights and liabilities known to the members of the state legislature, other state officials and the professional organizations who deal with the general educational programs.
6. We believe it is our responsibility to make known to all citizens interested in the total educational program the manner in which the funds of the system are invested and disbursed and that the control and budgeting of the funds be fully reported.
7. We feel we should exert every effort to aid in federal legislation that affects the welfare of the retired member, particularly in regard to equitable tax credit.
8. We believe that every effort should be made to be cognizant of the problems and solutions of such problems in the other state pension plans on the national and regional level and to use their experience in helping to solve such similar situations that face or will face the Arkansas system.

ARKANSAS TEACHER RETIREMENT SYSTEM

COMPOSITION

AUTHORITY

The authority and responsibility for the administration, management and control of the Retirement System, and for the construing and carrying out the provisions of the Plan is vested in the Board of Trustees by Act 427 of 1973..

MEMBERSHIP

Section 4 of Act 427 makes membership in the Teacher Retirement System a condition of employment in a position in the state. Membership in the Retirement System shall be an integral part of the contract or agreement entered into by a member and his Board or employing agency. As a condition of his employment in Arkansas teaching service, each member shall be deemed to consent and agree to abide by the rules and regulations from time to time adopted by the Board of Trustees to govern the administration and operation of the Retirement System.

ADMINISTRATION

The Board of Trustees shall appoint an Executive Director. The Executive Director shall be the administrative officer of the Retirement System, and he shall be directly responsible to the Board of Trustees. The Board of Trustees may, by resolution duly adopted, delegate to the Executive Director any of the powers and duties vested in or imposed by law.

Within such limitations as may be contained in legislative appropriations therefore, the Executive Director, subject to approval of the Board of Trustees, may employ, and fix the compensation of such secretarial, clerical, professional and other personnel as may be required for the proper administration of the System.

BOARD OF TRUSTEES

COMPOSITION

Section 3 of Act 427 of 1973, as amended, [A.C.A. 24-7-301] provides that the general administration and responsibility for the proper operation of the System and for making effective the provisions of the Teacher Retirement law are vested in the Board of Trustees of 12 persons. The State Bank Commissioner, the State Treasurer, and the State Commissioner of Education shall be the ex officio trustees. Six members shall be elected member trustees; provided, each such member shall have at least 5 years of credited service in force and be an active member at the beginning of his term of office. One member trustee shall be elected from each of the 4 congressional districts of the State by the active members employed in such congressional district, and such trustee must be a resident of such district. One person other than a Caucasian shall be elected by the Arkansas Education Association. One classroom teacher shall be elected member trustee by the members of Classroom Teachers of the Arkansas Education Association. The member trustees shall be elected in accordance with such rules and regulations as the Board shall from time to time adopt to govern such elections. Three retirants shall be elected retirant trustees by the Arkansas Retired Teachers Association, provided such persons are retirants at the beginning of their terms of office. The retirant trustees shall be elected in accordance with such rules and regulations as the Board shall from time to time adopt to govern such elections.

TERM OF OFFICE

The term of office of each member trustee shall be 5 years. The term of office of each retirant trustee shall be 3 years. Each trustee shall continue to serve as trustee until his successor is elected and has qualified.

In the event any member trustee fails to attend 3 consecutive meetings of the Board unless in each case excused for cause by the remaining trustees attending such meeting or meetings, he shall be considered to have resigned from the Board and the Board shall by resolution declare his office of trustee vacated. If a vacancy occurs in the office of member or retirant trustee, the remaining trustees shall fill the vacancy for the remainder of the unexpired term.

The board shall elect a Chairman and Vice Chairman from its own membership each year at its first regular quarterly meeting following the election of an active member from a congressional district. In years in which there is no board election by congressional district, the Board shall hold its election at the time it would if such election of a Board member had been held. In the event a vacancy of Chairman or Vice Chairman occurs for any reason other than completion of a term, the Board shall fill said vacancy by election for the remainder of the unexpired term at its next regular meeting.

ELECTION PROCEDURES FOR MEMBER TRUSTEES

Each year in which the five (5) year term of a member trustee expires, the position shall be filled either by election or re-election by use of the following procedures:

1. During the month of June of each year in which a member trustee is to be elected from a congressional district, a notice of such election shall be submitted to the Arkansas Educator, the Arkansas Association of Educational Administrator's Newsletter and the Department of Education's Connect-Ed and Education Update for publication. This announcement shall include the number of the congressional district in which an election is to be held, a listing of counties in such district, the name of the incumbent trustee, the procedure for nominating a candidate and an announcement that nominating petitions may be obtained from the Teacher Retirement System.
2. Nomination for election shall be upon petition signed by not less than twenty-five active members of the Retirement System from the congressional district from which such person is seeking election. Such petitions must also have the social security number of each signer. Nominating petitions must be filed with the Executive Director of the Teacher Retirement System not later than September 15 of the year in which the member trustee's term expires.
3. Should only one candidate file a timely and verified petition, that person shall be declared by the Board of Trustees as elected to fill the vacant member trustee position, and no ballots will be mailed to the active members.
4. A firm of certified public accountants will be retained by the Board to count the votes and certify the results of the election.
5. Ballots will be mailed directly from the Retirement System with postage for mailing ballots to members and for members returning them to the System to be paid by the System.
6. A mailing list of active members will be established on the state computer from teacher rosters obtained from school districts. This list will be updated each year before annual statements of members' accounts are mailed in September and ballots are mailed in October.
7. Instructions to voters and a return envelope with the word "Ballot" stamped on it will be mailed to each eligible voter. In cooperation with the accounting firm referred to in number 3, the Board will decide whether these return envelopes will be addressed directly to the accounting firm or addressed to the Teacher Retirement System to be delivered to the accounting firm.
8. The instructions will say that ballots are not to be copied. They will be printed on colored paper, and the color will be changed for each election.

9. Voters' social security numbers will not be requested, and no space will be provided for them on the ballot.
10. One list of eligible voters receiving ballots will be furnished to each candidate.
11. The election schedule will be as follows:

Deadline for Nomination - September 15
Ballots to be mailed to voters - October 1
Deadline for ballots to be returned - October 20
Firm of certified accountants counts votes and certifies results -
October 31

If no candidate receives a majority of votes, a runoff will be held between the two candidates receiving the highest number of votes. The schedule for the runoff will be as follows:

Ballots will be mailed - November 10
Deadline for ballots to be returned - November 23
Firm of certified accountants counts votes and certifies results -
November 30

If one of the above fixed dates is on a weekend or holiday, the above procedures will occur on the next regular work day following such weekend or holiday.

12. If a candidate receives a majority of the votes cast on the first ballot, he/she will be considered qualified on October 31 and will assume office on November 1. If a runoff is necessary, the candidate receiving the majority of the votes cast will be considered qualified on November 30 and will assume office on December 1.

ELECTION PROCEDURES FOR RETIRANT TRUSTEES BY THE ARKANSAS RETIRED TEACHERS ASSOCIATION (ARTA)

There are three (3) retirant members of the Board of Trustees of the Arkansas Teacher Retirement System. Each is elected for a term of three (3) years and the terms are so staggered as to require that one member be elected annually.

The procedure followed in this election is as follows:

1. The President of the Arkansas Retired Teachers Association appoints a committee of three (3) of its members in early March of each year for the express purpose of selecting a nominee or nominees for the position of Retirant Trustee on the TRS Board. The committee is responsible for obtaining permission from the nominee after it has been determined by the committee that the nominee chosen is a member in good standing of the Arkansas Retired Teachers Association and draws a regular benefit check from the Arkansas Teacher Retirement System.
2. Any retiree who is a member in good standing of the ARTA is eligible to be a nominee for the position of retirant trustee on the Teacher Retirement board. To become a qualified candidate, the retiree should submit a petition signed by 25 persons who are members of the Arkansas Retired Teachers Association. The petition will be submitted to the ARTA office by August 1.
3. The Teacher Retirement System is to be notified of the name and address of each nominee by September 15.
4. The Teacher Retirement System assumes the responsibility of preparing the ballots.
5. All persons on the retired rolls of the Teacher Retirement System have the opportunity, during the month of September, to study the qualifications of the candidate or candidates. The August issue of ARTA's quarterly publication INTERLINK, carries a photograph and a biographical sketch of each candidate.
6. The election schedule will be as follows:

Deadline for Nomination - August 1
Ballots to be mailed to retirants with September check
Deadline for ballots to be returned - October 15
Certification of results - October 20

If a runoff is necessary the schedule will be:

Runoff ballots to be mailed with October check
Deadline for ballots to be returned - November 15
Certification of results - November 20

7. The President of the ARTA names three (3) tellers who, with the assistance of volunteer workers, count the ballots and certify the results to the Teacher Retirement System. If one nominee does not receive a majority of the votes, a runoff election will be held. The

above-described appointed tellers will count the runoff ballots and certify the results to the Teacher Retirement System.

8. If a candidate receives a majority of the votes cast on the first ballot, he/she will be considered qualified on October 31 and will assume office on November 1. If a runoff is necessary, the candidate receiving the majority of the votes cast will be considered qualified on November 30 and will assume office on December 1.

ELECTION PROCEDURES FOR MEMBER TRUSTEES BY THE ARKANSAS EDUCATION ASSOCIATION (AEA)

Nominating Procedures

- A. Any local affiliated association or 20 members by petition may nominate candidates for any of the offices of the Association, Executive Committee members, Members-at-Large on the Board of Directors, District Director positions, Alternate District Director positions, NEA Director, Alternate NEA Director for Arkansas, NEA Delegates, and Member Trustee positions on the Arkansas Teacher Retirement Board allocated by law to AEA.
- B. Nomination forms, petition forms, information on positions to be filled and procedural instructions for the positions named in Section A shall be mailed to the president of each local affiliated association by the third Friday in October. A nomination form from AEA for AEA offices to be filled should appear in an official publication of the Association at least two weeks prior to the deadline for nominating. Nominations must be received by the office of the AEA President by the close of business on the third Friday in December.
- C. The name of each nominee and a brief position statement and biographical sketch, if one is submitted, shall be published at least two weeks prior to the applicable election in an official publication of the Association.
- D. In any position for which an election is to be held and only one candidate is legally nominated, that candidate shall be declared elected without the necessity of printing ballots and going through the formality of an election.
- E. A person may hold only one AEA state elective office at a time. This includes President, Vice President, Secretary-Treasurer, NEA Director, Executive Committee and Board of Directors.

Election Procedures for AEA Offices

Members-at-Large on the Board of Directors, District Directors Positions and Alternate District Director Positions, NEA Delegates, Member Trustee Positions on the Arkansas Teacher Retirement Board

A. Dates

1. In the event more than two persons are nominated for any position, a 7-day Nominating Primary election shall be held during the period beginning with the Monday following the third Sunday in February and ending with the Friday following the third Sunday in February. Any candidate receiving a majority of all the votes cast in the Nominating Primary shall be certified as having been elected. If no majority is received, the State Election Committee shall certify the names of the two highest (or in the case of a tie for second place, the three highest) for the Final Election. NEA Delegates

shall be elected by a plurality vote during this Nominating Primary election period.

2. The Final Election of officers, members of the Board of Directors and alternate members to the Board of Directors shall be held during a 7-day period beginning with the Monday following the third Sunday in April and ending with the Friday following the third Sunday in April. Prior to the Final Election, the names of the nominees and their pictures shall be published in an official publication of the Association.

B. Election Materials

1. The AEA office shall furnish the local association president or school district contact person materials to be used in the election process - official ballots, registration blanks, election regulations, certification blanks, and an envelope for certified returns. The local associations shall provide sealed ballot boxes and provisions to insure that all ballots cast will be secret ballots.
2. Positions on the ballot shall be determined by a random drawing by the President of the Association, witnessed by the Executive Director, Associate Executive Director, and Election Committee Chairperson, or his or her designee.

C. Election Returns

Two copies of the certification form shall be executed by the President and/or Election Committee Chairperson. The original form is to be returned to the AEA office, with the carbon retained by the local association. Envelopes containing the original certification forms reporting the election results should be mailed at least one week before the deadline to insure timely receipt, and must be filed in the AEA office not later than 10:00 a.m. on the second Saturday following the last day of the election period.

Nomination and Election of Member Trustee Positions on the Arkansas Teacher Retirement Board allocated by law to AEA

- A. Nomination and election procedures for member trustees of the Teacher Retirement System allocated to AEA shall be the same as those set forth for other AEA elections.
- B. Nominees for these positions shall meet the requirements as set forth in State Law, which are as follows:
 1. Classroom Teacher Member Trustee - The classroom teacher member trustee shall have at least five (5) years of credited service in force and shall be an active classroom teacher at the beginning of his/her term.
 2. Non-Caucasian Member Trustee - The Non-Caucasian member must be a person other than a Caucasian, shall have five (5) years of

credited service in force and shall be an active member at the beginning of his/her term.

- C. The length of term of member trustees allocated to AEA shall be five (5) years with a regularly scheduled election being held in 1981 and every (5) years thereafter for a Classroom Teacher Member Trustee and in 1982 and every five (5) years thereafter for a Non-Caucasian Member Trustee.

Challenge Procedures

A challenge of any AEA election shall be directed to the Constitution, By-Laws and Rules Committee within fifteen (15) days of the certification of the results of that election. The Constitution, By-Laws, and Rules Committee shall hear the challenge within thirty (30) days and shall make its recommendation in writing to the AEA Board within ten (10) days. The Board shall take action on the Committee's recommendation within sixty (60) days of its receipt.

Responsibilities of the Local Association President

- A. Insure the secrecy of the ballot.
- B. See to it that an election is held during the designated dates.
- C. Distribute ballots, official registration blanks, membership lists, and election regulations to the Election Committee
- D. See that election returns are certified and filed in the AEA office not later than the stated deadline.

Responsibilities of the Local Election Committee

- A. Designate polling places and inform Building Reps/Faculty Reps or Designees.
- B. Determine hours that polling places will be open and inform members.
- C. Distribute to the polling places: the ballots, official registration blanks, membership list, election regulations and sealed ballot boxes.
- D. Set a time and place for Building Reps/Faculty Reps/Designees to return ballot boxes and registration blanks to the Election Committee.
- E. Count and certify election returns to the AEA office.

Responsibilities of Building Reps/Faculty Reps or Designated Persons

- A. See that the name of each member, before receiving a ballot, is listed on the official registration form, giving name and address.
- B. See that only eligible AEA members are furnished with ballots and permitted to vote secretly.
- C. See that every voter has the opportunity to cast a secret ballot, folding and placing his own ballot in the sealed ballot box.
- D. Return sealed ballot boxes and registration forms to the designated place.

State Election Committee

A State Election Committee composed of 17 members, one from each District, shall be appointed by the President of the Association in accordance with the bylaws of the Association. The Election Committee shall meet on the second Saturday following the times designated for the Nominating Primary and Final Election. It shall tabulate the returns submitted and certify the results to the President of the Association.

Amendments

These regulations may be amended by the Representative Assembly of this association at a regular or called meeting. Advance notice that changes will be proposed shall be given in official publications of the Association. Copies of the proposed amendments shall be furnished delegates to the Representative Assembly.

BOARD OF TRUSTEES MEETINGS

The Board shall hold regular meetings at least quarterly. Additional meetings may be called by the Chairman or scheduled by action of the Board in a regular meeting. The Board shall adopt its own rules of procedure, which shall be subject to the following rules:

1. Quorum: Six trustees, of whom at least one (1) shall be an ex officio trustee, shall constitute a quorum at any meeting of the Board.
2. Ex officio Trustees and Designated Substitutes: Ex officio Trustees are urged and expected to attend meetings when possible. Each ex officio trustee is authorized to designate an official substitute to be approved by the Board to represent him/her when responsibilities as a constitutional officer or head of a State agency make it impossible for him/her to attend. Such designated substitutes shall be counted in determining if a quorum is present. They shall have the same rights as other trustees to participate in a meeting, including voting, making and speaking on motions.
3. Roberts Rules of Order shall be followed in the conduct of all meetings except when a departure from Roberts is authorized by action of the Board.
4. Agenda: A suggested agenda for each meeting shall be submitted in advance to all trustees. The Board shall adopt an agenda at the beginning of each meeting.
5. Minutes: The board shall keep an official record of the proceedings of each meeting, the final draft of which must be approved by the Board and signed by the Chairman and the Director.
6. Public Meetings, Freedom of Information Act: All meetings of the Board shall be public and in compliance with the Freedom of Information Act. Representatives of the Little Rock news media shall be notified of each meeting.

FREEDOM OF INFORMATION, MEMBER RECORDS

In compliance with A.C.A. 24-19-104, the Board of Trustees will release information taken from member records under the following conditions:

1. Unless a member requests information on his account, only the names and addresses of members will be supplied from the records.
2. The request for information must be made in writing to the Executive Director.
3. Any costs incurred in supplying the requested information must be paid by the person or organization requesting the information.

PAYMENT OF INVESTMENT COUNSEL FEES

1. In addition to the various retirement systems funds established as trust funds in the State Treasury, a bank trust fund or funds may be established and maintained in such depository bank or banks as may be designated by the boards of trustees of the respective retirement systems.
2. Each bank fund shall consist of and there may be deposited in the fund:
 - a) Any and all employer contributions, including any interest;
 - b) Any and all employee contributions, including any interest;
 - c) Interest, dividend, and other incomes realized from investments and reinvestments;
 - d) Interest earned upon any moneys in the fund; and
 - e) Such other proceeds as may be derived from the sale, exchange, redemption, transfer, or disposition of any securities or investments.
3. The following disbursements may be made from the bank funds:
 - a) Payments for any and all securities and investments, the purchase of which is authorized by law, which may include principal, accrued interest, commission, taxes, and fees;
 - b) Payments for money manager and custodian bank fees;
 - c) The deposit to the appropriate State Treasury fund for the payment of annuities and refunds as authorized by law that are paid on vouchers issued by the respective retirement systems and on warrants issued thereon by the Auditor of State;
 - d) The payment of annuities and refunds as authorized by law that are paid on cash fund vouchers issued by the respective retirement systems and on checks or wire transfers issued from bank funds; and
 - e) The deposit to the appropriate State Treasury fund for payments of salaries, maintenance, and operating expenses of the retirement systems supported from investment earnings.

INVESTMENT POLICIES AND PROCEDURES
(Rules and Regulations)

I. STATEMENT OF INVESTMENT POLICY

The PURPOSE of the Teacher Retirement System is: to provide an orderly means whereby employees of the participating employers who have attained retirement age may be retired from active service, to enable such employees to accumulate reserves for themselves and their dependents and to provide for old age, death and termination of employment.

Monies of the System shall be invested to achieve the investment OBJECTIVE which is to make the monies as productive as possible.

THE STANDARD OF INVESTMENT for the Director and Board of Trustees of the assets of the fund is: investing and reinvesting monies in the fund and in acquiring, retaining, managing and disposing of investments of the fund there shall be exercised "the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

With the preceding propose, objective, and standards in mind, investment GOALS will be established to guide the Director, and investment counsel. Goals will be directed at achieving, over a period of years, the actuarial interest assumption rate of the System, with due consideration being given to preservation of capital and its purchasing power, and to maintaining the element of risk at a prudent level.

Available funds should be invested to achieve a total return level necessary to maintain the fiscal soundness of the fund and to achieve the actuarial reserve requirements within the standards set forth above.

In order for the Board of Trustees to achieve the purpose, objective, standards and goals of the Fund, Investment Counsel (Investment Managers) and an Investment Consultant or Consultants will be retained. Investment Counsel will provide general economic information, as well as recommendations, on specific investments. Investment Counsel will at all times be responsible for the development and articulation of investment strategy, which will be a topic in each of its quarterly reports to the Board of Trustees. The Board's acceptance of the quarterly report of Investment Counsel shall constitute Board approval of investment strategy for the next quarter. In each of its follow-up letters on specific investment recommendations (Item D of Procedures for Investment Counsel), Investment Counsel shall justify each specific recommendation and its relationship to investment strategy approved by the Board of Trustees at the prior quarterly meeting. The Investment Consultant or Consultants will provide advice on

investment results of the Fund using such techniques as market valuation, time weighted rates of return, comparison with capital market indices and/or other relevant measures.

At the time of issuing this Statement of Investment Policy, the actuarial interest rate assumption utilized by the System is 8%. It is the desire of the Board of Trustees that the investment of the funds of the System will achieve a total return that will exceed the interest rate assumption, preserve the purchasing power of the assets and, in addition, produce earnings that may reduce the cost of the Retirement System to the participating employers or provide additional funds so that improvements in the System benefits may be adequately funded. While there can be no assurance that these desires can be achieved, the intent of the Board of Trustees is that by careful selection of individual securities and by constant supervision of the investment portfolio, the long-term value of the funds of the System will be enhanced and the stated goals will be achieved.

The Board of Trustees is sensitive to its responsibility to see that funds of the Teacher Retirement System are invested wisely, prudently and at a rate of return which will support the financial objectives of the System. However, the Board realizes that it would be impractical, if not impossible, of it to make all the investment decisions that are necessary in the management of a large trust fund.

Therefore, the Board, pursuant to authority vested in it by Section 3.04(c) of Act 427 of 1973 as amended, delegates to the Executive Director the authority to purchase, hold, assign, transfer or sell common and preferred stock, government bonds or notes, federal agency securities, corporate bonds or other securities permitted under Section 1 of Act 412 of 1985 as amended. The Board by resolution dated November 10, 1993, delegates to the Associate Director-Investments in the absence of the Executive Director, the authority to purchase sell, assign and endorse for transfer securities held in the name of the system. Investments in mortgages or in bank capital notes shall have specific approval by the Board before the investments are made. The Board delegates to the Executive Director authority to make short-term investments that are consistent with strategy adopted by the Board and with the general recommendations of Investment Counsel.

Through written and oral reports by Investment Counsel, the Investment Consultant or Consultants and by either the Executive Director or Associate Director-Investments, the Board shall insure that all investments made under this delegation of authority are in conformity with Section 1 of Act 412 of 1985 as amended and with the investment policies and procedures of the System.

Investment Counsel shall observe the following limitations and guidelines subject to the Prudent Investor Rule as amended by Act 412 and Act 1009 of 1985:

PRUDENT INVESTOR RULE. The prudent investor rule, as interpreted and defined by the Federal Employee Retirement Income Security Act (ERISA) of 1974, as amended, and regulations promulgated pursuant thereto, shall be applied by each party serving in a fiduciary capacity for the respective retirement systems. The prudent investor rule means that in making investments the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Goals and Guidelines

The overall goal will be directed at achieving, over a period of years, the actuarial interest assumption rate of the System with due consideration being given to preservation of capital and its purchasing power and to maintaining the element of risk at a prudent investor level.

Goal for Equity Investment

The goal for the investment of retirement system funds invested in the equity segment of the capital markets shall be to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices and peer groups over a 3 to 5 year period. The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to the market sector.

Equity Investment Strategy and Implementation

In accordance with prudent investment practice, the ATRS has adopted a multiple manager equity investment philosophy to increase diversification and enhance total rate of return. The success of the goals for each manager and the aggregate portfolio will be measured against the investment objectives described in Goals for Aggregate Equity Investment.

The ATRS Trustees will be responsible for an annual allocation of assets between the different investment styles of Investment Counsel, to maintain a prudent level of risk and volatility and allow for future growth. An annual asset allocation study will be provided by the Investment Consultant or Consultants.

Goal for Aggregate Equity Investment

The goal for the investment of Retirement System funds invested in the equity segment of the capital markets shall be to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices

and peer groups over a three- to five-year period. The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to this market sector.

Goals for Individual Equity Managers

The goal for large cap value oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell Price 1000 Index and exceed the median manager from comparative equity Large Cap Value Style Universes over two full market cycles.

The goal for the growth oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 1000 Growth Index and exceed the median manager from comparative equity Large Cap Growth Style Universes over two full market cycles.

The goal for small cap oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 2000 Index and exceed the median manager from comparative equity Value or Growth Style Universes over two full market cycles.

The goal for international oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the EAFE Market Cap Index and exceed the median manager from comparative equity International Style Universes over two full market cycles.

Guidelines

The statutes (Section 1 of Act 412 of 1985 as amended) will be the guidelines for the equity investment; however, it will be the responsibility of each investment manager to manage his exposure of assets to the equity market on an ongoing basis. It is not the intent of the ATRS to evaluate a manager on his ability to time the equity market but only to evaluate the use of cash as a vehicle to enhance long-term returns. Ability to manage the asset allocation between equities and cash equivalent investments will be evaluated over full market cycles.

1. In view of present market conditions, no more than approximately 60% of cost value of the Retirement System's assets may be invested in common stock.

Preferred stock and/or convertible securities will, for the purpose of determining the 60% level, be considered as common stock. The policy will be reviewed by investment management quarterly and appropriate recommendations made to the Trustees.

Goal for Fixed Income Investments

The goal for fixed income investments will be to maintain a high degree of consistency of total investment return. It is the further goal of the Trustees to reduce the volatility of the principal value of the fixed income investments while maintaining a total investment rate of return which is consistent with the stated objectives of the entire Arkansas Teacher Retirement System Fund.

Guidelines

The Arkansas statutes will be the guidelines for the fixed income investments. The fixed income investments shall be approximately 40% of the entire Arkansas Teacher Retirement System fund at cost value. The Trustees further believe that to achieve the goal for fixed income investments, the duration and maturity of the fixed income portfolio should at all times range between the Lehman Intermediate Government/Corporate Bond Index and the Lehman Government/Corporate Bond Index. The Trustees wish to maintain high quality fixed income investments. Therefore, only U.S. Treasury securities, U.S. Government Agency issues mortgage-backed securities, and corporate bonds rated A or better shall be purchased. A weighted average quality rating of AA or better shall be maintained.

Investment Strategy and Implementation

The strategy of the Investment Manager to accomplish the goal of consistency of total investment return will be to passively manage and ladder the fixed income investments.

The investments will primarily be spread over a 10-year ladder. A maximum of 15% of the fixed income portfolio may have maturities greater than 10 years but not exceed 15 years. The duration and maturity of the fixed income portfolio should at all times range between the Lehman Intermediate Government/Corporate Bond Index and the Lehman Government/Corporate Bond Index.

The portfolio weighted average maturity and the portfolio weighted average quality rating should be calculated using the dollar face amount percentage as the weighting factor.

Principal and coupon payments are to be reinvested at the current interest rate so that over the life of the fixed

income portfolio a consistency of total investment return will be achieved.

It is the responsibility of the investment manager to maintain the quality at the average rate of AA or better and to advise the sale of any security which in the investment manager's judgement is in jeopardy of being downgraded, or has been downgraded below the grade of A.

The investment manager shall also offer recommendations concerning the spreads between the various sectors of the fixed income market, i.e. which sector (U.S. Government or corporate) offers the best value at the time of purchase. These recommendations are to be made within the passively managed maturity schedule guidelines.

Mortgages

- A) The total principal amount held by the Teacher Retirement System shall not exceed 20% of the total investment holdings of the System.
- B) All mortgage loans shall be first mortgages on property located in Arkansas.
- C) Mortgage investments shall not be made in excess of eighty percent (80%) to value or cost whichever is less, unless insured or guaranteed by an agency of the Federal Government or by a private mortgage insurance company authorized to insure loans purchased by the Federal Home Loan Mortgage Corporation.
- D) Mortgages other than single-family residences must be submitted through an approved Arkansas financial institution or mortgage banking firm and be accompanied by a current financial statement of the proposed mortgagor, prepared by a member of the American Institute of Certified Public Accountants, and an appraisal prepared by an approved state licensed appraiser.
- E) Mortgage servicing agreements may be entered into with commercial banks and mortgage banking companies at competitive rates with mortgage servicers.
- F) Mortgage investments shall be made only after affirmative recommendation by a Board approved Investment Advisor and approval of the Board of Trustees.

Bank Capital Notes

- A) At no time shall the System have invested more than \$3 million of its assets valued at cost in bank capital notes.
- B) Bank capital notes shall not be subordinated to any other debt of the bank which would be classified as capital except first mortgages on bank property that may exist prior to the time of issue.
- C) Bank capital notes of a single financial institution shall be limited to no less than \$500,000 and to no more than \$2 million.
- D) Investment Counsel shall issue an affirmative recommendation prior to purchase of bank capital notes.
- E) All purchase of bank capital notes shall have prior approval by the Board of Trustees.

Short-Term Investments

- A) Short-term investments may include, but are not limited to, government securities, repurchase agreements, which are collateralized by securities issued by the Federal Government or an agency of the Federal Government, and have a current market value of no less than 100% of the System's investment in repos, certificates of deposit, savings accounts, Prime 1 Commercial Paper of eligible corporations, bankers' acceptances in an amount not to exceed the capital funds, represented by capital, surplus, and undivided profits, of financial institutions that are insured by an agency of the Federal Government, or mutual fund accounts that are backed by securities that are backed by the full faith and credit of the United States government.
- B) Consideration should be given to safety, liquidity needs and rate of return when considering short-term investments.

Small Business Administration Loans

The Teacher Retirement System may invest up to \$10,000,000 in the U.S. Government guaranteed parts of U.S. Small Business Administration loans subject to the following conditions:

- A) That the Teacher Retirement System will purchase only the U.S. Government part of any loan.

- B) That loans must be made to small businesses located in Arkansas.
- C) That the maximum maturity of any loan purchased will be ten (10) years. The average maturity of such loans is expected to be 7 to 8 years.
- D) That the rate of return to ATRS will be at least 3/4% more than U.S. Treasuries of the same maturity are being priced to yield at the time each loan is purchased.
- E) That the SBA agrees to repurchase any loan on which there is a default on principal and interest payments, unless such loan is repurchased by the bank which sold it to the Retirement System.
- F) That the Step-by-step Procedure for Guaranty Sale to Pension Fund which was distributed to members of the Board will be adhered to in the administration of this program.

Certificates of Deposit

The Teacher Retirement System may invest up to \$40,000,000 in insured certificates of deposit of Arkansas financial institutions subject to the following conditions:

- A) FDIC Insurance. Implementation of this program is dependent upon the Teacher Retirement System receiving from the Legal Counsel for FDIC acceptable written assurance that deposits made will be covered by FDIC insurance in the amount of each member's individual account in the fund up to a maximum of \$100,000.00 per member, and that records of the System satisfy FDIC requirements for insurance coverage. The eligibility of a depository institution to receive deposits under this program will be subject to such institution meeting all requirements for FDIC insurance and its issuance of a Certificate of Deposit in accordance with FDIC Regulation 330.1 governing insurability of pension trust fund accounts.
- B) Amount of Participation. The \$40,000,000 authorized for this program is a maximum authorization that can be increased only by action of the Board of Trustees. The amount actually invested under this authorization from time to time will be determined by the Investment Committee with the advice of Investment Counsel. Decisions of the Committee will be based on:

- 1) The amount of money that the System has available for fixed income investments
 - 2) Rates of return available from this program compared with other investment opportunities
 - 3) The amount that the System needs to invest in Arkansas to satisfy the requirements of Act 412 of 1985.
- C) Credit Line. If the demand for funds exceeds the amount that the System is prepared to invest, the amount to be deposited in each depository institution will be determined by use of the formula used by the State Board of Finance in the allocation of State Funds, except that in no case will the maximum deposited in any institution be allowed to exceed fifty percent (50%) of the adjusted equity account of the Depository Institution.
- D) Rates of Return. CD rates will be indexed off the U.S. Treasury Bill rate for the desired maturity at the time the money is offered for deposit. The rate will not be less than the bond equivalent Treasury yield.
- E) Maturity schedules up to a maximum of seven (7) years will be set by the System when funds are made available.
- F) Interest will be due and payable semi-annually. Interest will be calculated on a 365-day basis.
- G) Funds must be invested in Arkansas. Each depository institution receiving funds under this program will be required to agree in writing that such funds will be used for First Mortgage Home Loans, Home Improvement Loans, Consumer Loans, Business, Commercial, Industrial or Agriculture Loans within the Institution's commonly known "trade area". Funds invested in this program may not, in any manner, be used by a Depository Institution for lending outside the State of Arkansas.

Corporate Bonds

- A) Corporate bonds shall at the time of purchase, be rated within the three highest classifications by at least one nationally recognized rating service.

II. PROCEDURES FOR INVESTMENT COUNSEL

- A. The Board shall have full power to invest and reinvest the monies of the System and to hold, purchase, sell, assign, transfer or dispose of any investments so made, as well as the proceeds of such investments and such monies, provided no investment shall be made by the Board until it has received the advice of its Investment Counsel. Pursuant to A.C.A. 24-3-410, the Board of Trustees will retain such Investment Counsel to provide advice for any or all investments made by the System. In no event will the Director of the System invest funds belonging to the System without the advice of the Investment Counsel who is under contract to provide such advice.
- B. The Board of Trustees may employ professional Investment Counsel in either an advisory only capacity or as a money manager with authority to execute transactions. If the Board chooses the latter method of asset management, the funds of the System shall be invested and reinvested in accordance with the following procedures:
1. From time to time the Board shall formulate the policy to be followed in future investment activity. Investment policy shall be reviewed and changed or reaffirmed at least once annually;
 2. Investment Counsel shall have full power to hold, purchase, sell, assign, transfer, or dispose of any of the monies or investments of the System pursuant to the provisions of this subchapter and in accordance with the current investment policy filed with the Board;
 3. The monies of the System allocated to the Investment Managers shall be actively managed by the Investment Managers, which may include selling investments and realizing losses if such action is considered advantageous to longer-term return maximization;
 4. The System shall manage those monies not specifically allocated to investment managers;
 5. At least semi-annually, the Investment Counsel shall file with the Board a written report setting forth, for the period since its last report, all investments purchased and sold, all receipts and disbursements, and any other transactions concerning System monies;
 6. At each regular meeting the Board shall examine each written report received from the Investment Advisor since the last regular meeting; and
 7. Anything in this section to the contrary notwithstanding from time to time the Board may direct a specific

investment activity and shall be fully responsible for any such direction.

- C. Investment Counsel will make specific recommendations on long-term investments in stocks and bonds. Specific recommendations may take the form of buying and selling programs. The Investment Manager may substitute purchases or sales of other bonds for specific recommendations in a buy and sell program subject to approval of Investment Counsel.
- D. Investment Counsel shall be aware of and operate within the Statement of Investment Policy, this Statement of Procedures, and Act 412 and 1009 of 1985.
- E. Recommendation by the Counsel for portfolio changes will be made by a confirmation letter which sets out the specifics of the recommendation. The letter should be mailed to the sytsem within thirty (30) days.
- F. The Investment Counsel will report in person to the Board of Trustees on a quarterly basis.
- G. Investment Counsel will provide a list of assets with cost and market value comparisons monthly.
- H. Investment Counsel shall:
 - 1. Provide a monthly letter (1-2 pages) to the individual Trustees and the Director discussing the month's activity, highlights, unusual situations, and whatever else may be necessary to provide a brief overview of the Investment Counsel's portfolio; notify the Board and the Director in writing of any material change in strategy.
 - 2. Provide a quarterly letter to the individual Trustees who request it, as well as the Director, and a written and oral report at the appropriate Board of Trustees meeting. Written and oral reports should contain whichever of the following as are necessary to enable the Board of Trustees to be aware of the Investment Counsel's portfolio make-up, portfolio activity, and anticipated action:
 - a) Economic overview
 - b) Review of recent and anticipated investment activities
 - c) Analysis of major changes that have occurred since the last report
 - d) Comments on the general condition and anticipated action of the securities market
 - e) Approximate current income yield of the portfolio at reporting date

- f) Present portfolio strategy as relates to stock/bond ratio and changes likely to occur in the following quarter
- 3. Counsel will advise the Board in writing of changes in key personnel, ownership, and any changes in bonding and fiduciary liability insurance coverage.

Loan of Securities

In order to increase investment income with minimal risk, the Board of Trustees may loan bonds, stocks, or other securities, but only if, at the time the loan is executed, at least one hundred percent (100%) of the full market value of the security loaned shall be collateralized by cash or securities guaranteed by the United States government or an agency thereof.

At all times during the term of each loan, the collateral shall be equal to not less than ninety-five percent (95%) of the full market value calculated on the total value of all securities on loan.

III. PROCEDURES - PURCHASING AND SELLING OF CORPORATE BONDS AND STOCKS

- A. Delegation of Authority to execute specific investment transactions
 - 1. Pursuant to authority vested in it by A.C.A. 24-3-410 the Board of Trustees of the Teacher Retirement System, in a regular quarterly meeting on February 9, 1993, voted to authorize its Investment Counsel for equities, to execute specific equity investment transactions for the System.

IV. ROLE OF INVESTMENT CONSULTANT

The responsibilities of the designated Investment Consultant or Consultants with respect to the Board of Trustees and Director, shall be to:

- A. Assist the Board to develop, and from time to time change its Investment Policy Statement due to broad economic and/or statutory changes in the State of Arkansas.
- B. Develop portfolio strategies and plan for portfolio growth.
- C. Assist the Board in selection and control of Investment Counsel.
- D. Monitor the investment performance of Investment Counsel.

INVESTMENT COMMITTEE

POLICIES

1. There shall be an Investment Committee composed of five (5) members of the Board of Trustees. Three (3) will be appointed by the Chairman of the Board. The Chairman and Vice-Chairman of the Board shall serve as ex-officio voting members of the Committee.
2. Appointments shall be for terms of three (3) years with no limit on the number of times a member may be reappointed.
3. The Committee shall elect its own Chairman. The Executive Director may serve as secretary to the Committee or delegate another member of the staff to serve in this capacity.
4. Three (3) members of the Investment Committee, one (1) of whom must be the Chairman or Vice-Chairman of the Board of Trustees, shall constitute a quorum. At least three (3) affirmative votes are necessary to approve an investment submitted to the Investment Committee.
5. The Committee shall meet on call by the Chairman and/or the Executive Director, but not less than on a quarterly basis (provided there is business pending before the Committee).
6. The primary purpose of the Committee shall be to consider investment proposals other than stocks, U.S. Government Corporate Bonds, or short-term investment transactions which are routinely recommended by Investment Counsel and executed by staff. Such proposals usually will be, but do not have to be Arkansas-related investments submitted under Act 412 of 1985.
7. The Committee may develop guidelines or procedures for certain U.S. Government guaranteed investments such as Small Business Administration loans, Arkansas-related investments, and FDIC insured certificates of deposit issued by Arkansas financial institutions. Such guidelines or procedures shall be submitted to the Board of Trustees for approval. Investments which are specifically covered by approved guidelines may be administered by the ATRS Director and/or Associate Director-Investments.
8. Investments which are not guaranteed or insured by the U.S. Government or an agency thereof shall be made only with approval of the Board or the Investment Committee subject to the following conditions:
 - a. Investment proposals which can reasonably be held until a meeting of the full Board is scheduled will be approved only by action of the full Board. Such proposals will be considered first by the Investment Committee and will be considered by the full Board only if recommended by the Investment Committee.
 - b. Proposals for investments of less than \$5,000,000 may be approved by the Investment Committee provided it satisfies all requirements of Board policies for such investments.

- c. Special meetings of the Board may be called to consider investment proposals which do not meet the conditions in (b) for approval by the Investment Committee, but which the Chairman of the Investment Committee and Director feel are of sufficient importance and urgency to justify a called meeting of the Board. Decisions on whether or not to call special Board meetings to consider investment proposals shall be made jointly by the Chairman of the Board, the Chairman of the Investment Committee and the Executive Director.
- d. All available information about each investment proposal to be considered shall be mailed to each Trustee at least one week prior to the meeting at which consideration is scheduled. No special meetings to consider investments will be held unless such information has been provided to Trustees.

PROCEDURES

PURCHASING FHA, VA AND INSURED CONVENTIONAL MORTGAGES

1. Based on consistent investment strategy, Investment Counsel shall recommend purchase of FHA, VA and/or insured conventional mortgages.
2. Rate of return shall be consistent with current market conditions. Servicing fee shall be a competitive rate.
3. Loans submitted for approval to the Retirement System must be in an amount of not less than \$20,000 and cover homes not over five (5) years old.
4. Applicants must be 21 years of age. Applications by co-mortgagors are not acceptable.
5. The submitted loans are reviewed by the Investments Administrator and the Associate Director-Investments.
6. When mortgages are presented to the Teacher Retirement System for its review, the following items must be included:
 - a. Mortgagee's Application
 - b. Supplement to Mortgagee's Application, and Mortgagor's Statement
 - c. Verification of Employment
 - d. Verification of Deposit
 - e. Credit Report
 - f. Offer and Acceptance
 - g. Photographs of Property
 - h. FHA Commitment Form
 - i. VA Certificate of Reasonable Value, or Appraisal
 - j. Other Exhibits the Retirement System may specify
7. If a mortgage investment is acceptable to the Teacher Retirement System staff, it is then presented to the Board of Trustees for approval. If approved a commitment is then made to a servicing company.
8. The servicing company files a repurchase agreement and forwards to the Retirement System all documents necessary for the closing of the loan. These documents are as follows:
 - a. Invoice
 - b. Deed of Trust Note
 - c. Deed of Trust
 - d. Assignment of Deed of Trust
 - e. Certificate of Hazard Insurance Policy
 - f. Tax Report
 - g. Title Insurance
 - h. FHA Form 2080
 - i. Final compliance Inspection Report
 - j. Builders Warranty of Completion or Verification of Completeness by Appraiser

- k. Plat of Property
- l. Amortization Schedule

- 9. Payment is made by check on the local bank account, or wired per instructions.
- 10. All documents pertaining to the loan are filed in the Teacher Retirement System office. The Deed of Trust, the Deed of Trust Note, Assignment of Deed of Trust of the mortgagor are filed in the fireproof vault in the office of the custodian for the Teacher Retirement System.

MEMBERSHIP

DEFINITION

1. Membership in the Teacher Retirement System shall be an integral part of the contract or agreement entered into by a member and his board or employing agency. Membership is automatic and the cooperation of the member is needed to fulfill the rules and regulations as adopted by the Board of Trustees and required by law.
2. Beginning July 1, 1989, membership in the System covers all employees of the school district. Those employees whose non-teaching service began before July 1, 1989, and whose non-teaching service is covered or coverable by the Public Employees Retirement System, shall continue to be covered by that system for all non-teaching service. All persons newly hired after July 1, 1989, by a covered employer shall become members of the Teacher Retirement System. Beginning July 1, 1991, all part-time persons, except public school students, employed in a covered position shall become members of the Teacher Retirement System. Beginning July 1, 1993, employees who accumulate less than thirty (30) days of credited service within a fiscal year are not eligible for membership in the Teacher Retirement System.

Effective July 1, 1993, membership in the Teacher Retirement System shall include employment in a position with an educationally-related agency if the employee is or has been a member of the Teacher Retirement System for a minimum of five (5) years and elects to become or remain a member of the system. The employment shall be related to the training of public school employees or school board members, or teaching public school students or in adult education programs. The employment shall not be related in any manner to private schools. The employer shall be responsible for all required employer contributions.

A person who has excluded himself from membership before July 1, 1991, may rescind the exclusion by filing with the system a Membership Data Form.

ACTIVE MEMBER

DEFINITION

Active member means any person rendering service covered by the System.

POLICIES

An active member means a person rendering teaching service and contributing to the System as follows:

- a) For the purpose of crediting service in a fiscal year, a member must earn a year of credit (120 teaching days) or a fraction thereof (not less than 1/4 year - 30 teaching days)
- b) Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution

certified continuing employment, and leave of absence with pay upon which the member is making contributions or is a non-contributory member, also continues active membership

- c) Deferred members acquire survivor, disability, and early retirement privileges after rendering one (1) year of service credit subsequent to reentering the Teacher Retirement System (must be done in a maximum of four (4) years).

INACTIVE MEMBER

DEFINITION

Inactive member means a member who is vested but not in a current position covered by the System.

INELIGIBLE MEMBERSHIP

DEFINITION

1. Teachers and other employees who are eligible for membership in the Teacher Retirement System are ineligible for membership in another state retirement system while employed in a position covered by Teacher Retirement.
2. Beginning July 1, 1993, employees who accumulate less than thirty (30) days of credited service within a fiscal year are not eligible for membership in the Teacher Retirement System.

KINDERGARTEN TEACHER

POLICY

Kindergarten teachers who are employed by a school district shall be compulsory members of the Teacher Retirement System. The local school districts will be responsible for employer contributions on salaries paid kindergarten teachers when the salaries are financed from any source other than the Public School Fund allocation.

CAFETERIA MANAGERS, SUPERVISORS, AND CLERKS

Cafeteria Managers, Supervisors, and Clerks are eligible for membership in the Teacher Retirement System. (Attorney General's Opinion of November 9, 1965).

NON-MEMBER

DEFINITION

A non-member is a former member who is not contributing to the System and who is not vested.

POLICY

1. A non-member who returns to service after July 1, 1971, and who did not withdraw his contributions must render 120 days of continuous service (fractional years may be combined if rendered in consecutive succeeding years) to reestablish prior credit.
2. A non-member who returns to service and who did withdraw his contributions may repay his refund. He must render one year of service subsequent to his re-entry before the repaid refunded service is credited.

DEFERRED MEMBER

DEFINITION

A deferred member is a member who has 10 or more years of credited Arkansas service. For additional information see "Deferred Retirement".

NON-CONTRIBUTORY SERVICE

DEFINITIONS

1. Non-contributory service is service on which a member has elected not to make contributions to the Teacher Retirement System and to accept a reduced retirement annuity for the years of service on which he/she does not contribute.
2. Non-contributory election is a written election by a member to stop making contributions. To be valid, an election must be on a special election form provided by the system. It must be signed by the member, his employer and a representative of the Teacher Retirement System. It must be filed with the system prior to July 1 of the year in which it is to become effective.

POLICIES

1. Once an election form is received in the Teacher Retirement office, it becomes a binding agreement upon its effective date. It cannot be voided or changed for one full year after its effective date.
2. For members hired before July 1, 1991, an election to stop contributions may be reversed one (1) time, on any July 1 after it has been in effect for at least one full year.

3. For purposes of administration of Act 504 of 1985, any person who is a former or an inactive member during the year preceding his change of an election, and who has not executed an election form, and returns to active service during any fiscal year after July 1, 1986, shall be considered a new member.
4. All service rendered before July 1, 1986, is contributory service. Active members do not become eligible for a refund of contributions made before July 1, 1986, by signing a non-contributory election form.
5. The Executive Director will make the final decision in accepting forms where an apparent error was made by the member by sending the wrong form or when forms are received after the deadline through no fault of the member.
6. Effective July 1, 1991, a new member shall not make member contributions, unless he elects, by written election filed with the system before the preparation of the payroll containing his first salary payment, to make contributions. An election to make contributions may be reversed one (1) time, on any July 1 after it has been in effect for at least one full year.
7. For purposes of administration of Act 14 of 1991, any person who is hired after July 1, 1991, and who has never been a member of the Teacher Retirement System, shall be considered a new member.
8. Beginning July 1, 1993, a member may change his election once each fiscal year, to be effective the July 1 following the filing of the election in the system office.
9. Beginning July 1, 1993, regardless of his former status with the system, a former active member who returns to employment in a covered position will be a non-contributory member. A change to contributory status must be made before the preparation of the payroll containing his first salary payment.

PROOF OF YEARS OF SERVICE

DEFINITION

Teaching service or other duties performed pertaining to one's occupation must be made in affidavit form or on special forms drafted by the System. A year of service beginning with the establishment of the System will be from one day to 120 days, from July 1 to June 30 of a fiscal school year as set forth by the following policies established by law and the Board of Trustees of the Teacher Retirement System.

POLICIES ON SERVICE AFFIDAVITS

Membership

1. One day or more is a year of service when rendered prior to February 11, 1949 and proved prior to July 1, 1955, unless otherwise determined by information in the folder. "Proved" for membership service means service rendered and contributions paid before February 11, 1949 or a contract entered into prior to July 1, 1955 to pay such contributions at a later date and at least a partial payment is made.
2. Sixty (60) days in a fiscal year is a year of service when rendered and proved between the period of February 11, 1949 and July 1, 1957.
3. Eighty-five (85) days in a fiscal year is a year of service when proved subsequent to July 1, 1957. (1957-71)
4. One hundred twenty (120) days in a fiscal year is a year of service beginning July 1, 1971 to present.
5. Service rendered and proved prior to July 1, 1957 can be combined to count as a year of service provided:
 - a. The minimum number of days combined is 85.
 - b. The maximum number of fiscal years to be combined is three (3) and the years do not have to be consecutive.
 - c. The minimum number of days in a fiscal year to be counted is 30.
6. Service rendered subsequent to July 1, 1957 and proved before July 1, 1971 (1957-71) can be combined to count as a year of service provided:
 - a. The minimum number of days to be combined is 85.
 - b. The maximum number of fiscal years to be combined is two (2).
 - c. The fiscal years combined must be consecutive years.
 - d. The minimum number of days in one fiscal year is forty (40).

7. Fractional Years of Service Policy - Beginning July 1, 1971 for teaching service rendered in any one fiscal school year shall be determined in accordance with the following table:

1 - 29 days	None
30 - 59 days	1/4 year
60 - 89 days	1/2 year
90 - 119 days	3/4 year
120 days or over	1 year

8. Four hours shall be required as the minimum for a "day of service" for all employees.
9. If the Retirement System has made a commitment to a member that he may purchase service not previously established, the commitment must be honored if partial or full payment has been accepted.
10. The 1937-38 year may be established as a back contribution year without cost to the member, unless contributions were paid for the 1937-38 year and later refunded. In such case, the amount of refund plus interest must be paid in order to establish credit for the 1937-38 year. Proof submitted subsequent to July 1, 1971 must show a minimum of 120 days of service.

PRIOR SERVICE

DEFINITION

Teaching service performed before July 1, 1937 is considered prior service. Such service must have been proved by affidavits and filed with the System before July 1, 1959. Credit was allowed under the following provisions:

1. Proof of service rendered prior to 1937 is considered prior service. Such service must have been proved by affidavits and filed with the System before July 1, 1959, to be counted as credited service unless marked otherwise or correspondence in folder so states. The 1937-38 year may be proved at any time at no cost to the member and counted as membership year, except withdrawn contributions, if any, for 1937-38 must be repaid.
2. Prior service proved prior to July 1, 1955, is acceptable if affidavit was signed by father, mother, brother, sister, former co-worker, neighbor etc. and notarized -- unless affidavit was signed by a school official. In that case, signature did not have to be notarized.
3. Prior service proved after July 1, 1955 must be signed by a school official where service was rendered or by country school supervisor where service was rendered. Form should indicate number of days or months of service rendered.
4. Unless proof is otherwise marked and number of months is not indicated, we will assume it is a year of service.
5. If proof does not meet the above specifications but was filed prior to July 1, 1959, we will give the member an opportunity to submit an acceptable proof. If proof filed does not meet these specifications but correspondence indicates member has been given credit for prior service, we will not take it away from him.
6. Upon re-entrance, subsequent service for 120 days and repayment of withdrawn service, a member's microfilmed proof of prior service is sufficient for service credit.

MEMBERSHIP SERVICE

DEFINITION

Service rendered and contributions paid on salary, received after July 1, 1938.

POLICIES

1. After July 1, 1971 for the purpose of establishing service based on back contributions, the number of days required to establish a year of service since 1937 is 120 days.
2. Fractional years of credit may also be established only for service rendered after July 1, 1971.

SALARY DETERMINATION FOR RETIREMENT SYSTEM PURPOSES

DEFINITIONS

1. "Salary" means the recurring remuneration paid an employee for personal services rendered by the employee in a position, or positions, covered by the system. It includes remuneration received from all covered employers during a school fiscal year.
2. "Covered salary" means the portion, or all, of an employee's salary which is covered by the system. For each member who first became a member before July 1, 1971 his covered salary for each year after June 30, 1969 is the first \$7,800 of this total annual salary for all covered employment unless he has elected to make contributions to the system on his full salary. For each member who first became a member after June 30, 1971 or who has elected to make contributions on full salary, his covered salary is his full salary for all covered employment.
3. "Covered Employer" means each employer for whom a member renders service in a covered position.

POLICIES

1. In determining "salary" no consideration shall be given to (a) any non-recurring single sum payment paid by an employer or (b) any employer contributions to any employee benefit plan except cafeteria plans as defined in A.C.A. 21-5-901 or (c) any other unusual or non-recurring remuneration except that money which is in lieu of remuneration and which is used by an employer to purchase a qualified tax sheltered annuity or a life insurance policy for an employee shall be considered as "salary" for system purposes.
2. An employee who is receiving remuneration under both a regular contract and a purchased contract or under both a regular contract and a contract won through litigation shall have only the greater of the two amounts considered as "salary" for System purposes.
3. Should an employee make a charitable donation, or return any part of his salary, to his employer, the amount of his recurring remuneration otherwise useable as "salary" shall be reduced by such amount or amounts to arrive at his "salary" for System purposes.
4. The system will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in policies 1-3. In case of doubt, the facts will be determined and the Board will decide whether or not payments reported as salary can be accepted as salary for retirement purposes. Contributions based on payments that are not salary for retirement purposes will be refunded as promptly as possible.
5. If a member is making contributions to the system on a covered salary of \$7,800 rather than his full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800 (\$468).

Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.

6. If an eligible employee of a government entity, as defined in Act 810 of 1987, elects to participate in a cafeteria plan which meets the requirements of the Federal Internal Revenue Code, the amount which such employee's salary is reduced pursuant to a salary reduction agreement, as defined in Act 810 of 1987, shall continue to be included as compensation for the purpose of computing retirement benefits. Employees participating in the contributory plan will pay 6% of the total salary earned before such reductions are made, and employers will report the total salary earned before reductions.

AGE AND SERVICE RETIREMENT

ELIGIBILITY

1. Any active member who attains age 60 years and has 10 or more years of credited service may voluntarily retire upon his written application filed with the Board of Trustees. Benefits are effective the first day of the calendar month next following one month after the receipt of his application, provided his employment has terminated; i.e., his application must be filed by May 31 if his retirement is to be effective July 1.
2. Any active member who has 30 or more years of credited service but has not attained age 60 years may voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin under the same provisions as stated in Item 1 above.
3. Any inactive member who has 30 or more years of credited service may also voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin the first of the month following the date of application.
4. An inactive member with 25 or more years of credited service who attains or has attained age 55 but has not attained age 60 may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the lesser of the member's age to 60 or his years of credited service to 30. Said annuity shall begin the later of: the first of the month following his attainment of age 55; or the first of the month following the date the application is received.
5. Any active member who has 25 or more years of credited service but has not attained age 60 may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the same as stated in Item 4.
6. In no event shall such annuity begin earlier than the July 1 next following a fiscal school year for which the member has signed an employment contract unless his contract is terminated with employer consent before the year of service is rendered.
7. Effective August 13, 1993, a member retiring with an effective date other than July 1, who has not completed his employment contract and who wants to retain credit for service within the current fiscal year may retire on October 1, January 1, or April 1. No salary earned during the fiscal year may be used in the computation of benefits and no more than one-fourth (1/4) of a year of service credit shall be given for each quarter worked, regardless of the number of days worked in a quarter. If a member has signed an employment contract for a fiscal year and has been paid in full for that year, benefits shall not become effective until July 1.

Minimum Benefits

Any member retiring after June 30, 1965, but before July 1, 1986, and who has 10 or more years of credited service shall receive not less than \$1,800 per annum. Any member retiring July 1, 1986, or later shall receive the following minimum benefit: \$150.00 per month if the member has only contributory credited service; \$94.00 per month if the member has only non-contributory service; and a monthly amount prorated between \$94.00 and \$150.00 if the member has a combination of contributory and non-contributory service.

Beginning July 1, 1993, if a member has at least ten (10) years of contributory service, regardless of his number of years of non-contributory service, his monthly annuity shall not be less than one hundred fifty dollars (\$150.00).

Benefits Formula

Annual Annuity Formula - 1.8% of the first \$6,600 of the final average salary multiplied by the years of credited service rendered before July 1, 1969, but not less than benefits in accordance with provisions in force before July 1, 1971; plus 1.8% of the final average salary multiplied by the years of credited service rendered after July 1, 1977; provided if a member contributed on only the first \$7,800 of each annual salary after June 30, 1969, each annual salary used in computing his final average salary shall be limited to a maximum of \$7,800.

For payment periods July 1, 1991 through June 30, 1992, total benefits payable under the above formula shall not be less than the total number of years of credited service multiplied by 1.85% of his final average salary except that benefits shall be 1.17% of his final average salary multiplied by his number of years of credited service rendered after June 30, 1986, for which no member contributions were made, as provided in A.C.A. Sec. 24-7-406.

For payment periods July 1, 1992 through June 30, 1993, the total benefits payable under the above formulas shall not be less than the total number of years of credited service multiplied by 1.95% of his final average salary, except that benefits shall be 1.23% of his final average salary multiplied by his number of years of credited service rendered after June 30, 1986, for which no member contributions were made.

For payment periods July 1, 1993, and later, the benefits payable under the above formula shall not be less than the total number of years of credited service multiplied by not less than 2.05% of his final average salary, except that benefits shall not be less than 1.29% of his final average salary multiplied by his number of years of credited service rendered after July 30, 1986, for which no member contributions were made.

For an increase(s) in benefit formulas to be effective, the regular annual actuarial valuation for the calendar year immediately preceding the effective date of the increase(s) shall be based upon an investment rate assumption of no more than eight percent (8%) and shall indicate that up to and including a twelve percent (12%) of pay employer contribution rate is sufficient to amortize all unfunded actuarial accrued liabilities for members over a period

of thirty (30) years or less. For any increase to be effective on a scheduled date, all increases scheduled for that date must collectively meet the minimum financial conditions.

On any scheduled date the increases do not collectively meet the minimum financial conditions, the Board of Trustees shall have the authority to delay the increase until the minimum financial conditions are met. Such delayed increase shall only be given on a July 1 and shall be the increases set out above.

Built-In Cost of Living Increase

Beginning July 1, 1983, and each year thereafter, all retirants who have been on the rolls 12 months or longer shall receive a 3% increase. This increase will be added each year as long as they remain on the benefit rolls, provided the increase on the Consumer Price Index for the calendar year immediately preceding July 1 has increased by as much as 3%. If the increase in the Consumer Price Index is less than 3%, the percentage increase in retirement benefits shall be the same as the percentage increase in the Consumer Price Index.

Fractional Years of Service Credit

Board policy allows fractional years of credit for service rendered after July 1, 1971, as follows:

0 - 29 days ---	None
30 - 59 days ---	1/4 year
60 - 89 days ---	1/2 year
90 - 119 days ---	3/4 year
120 days or more ---	1 year

For a member retiring before August 13, 1993, if any fractional part of a year in which the member retires is used in computing benefits, the effective date of benefits would be the following July 1. The member would have the option of forfeiting the fractional year. In this case, contributions that he made during the year in which he retired would be refunded to him upon request. If the member chose this option, his benefits would be computed on his service through the preceding fiscal year.

In no event shall such annuity begin earlier than July 1 next following a fiscal school year for which the member has signed an employment contract unless his contract is terminated with employer consent before the year of service is rendered.

For a member retiring after August 13, 1993, with an effective date other than July 1, who has not completed his employment contract and who wants to retain credit for service within the current fiscal year, his retirement date may be October 1, January 1 or April 1. No salary earned during the fiscal year may be used in the computation of benefits and no more than one-fourth (1/4) of a year of service credit may be given for each quarter worked, regardless of the number of days worked in a quarter. If a member has signed an employment contract for a fiscal year and has been paid in full for that year, benefits shall not become effective until the next July 1.

Should a member not want to retain his current year service credit, his retirement will be handled in the same manner as if he had retired before August 13, 1993.

POLICIES

1. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay upon which the member is making contributions also continues active membership.
2. Errors or changes not affecting computation of benefits - Effective July 1, 1971, if additional Teacher Retirement contributions are remitted by an employer for any retirant, and the additional salary does not result in an annual increase or decrease of at least \$5.00, we will transfer the contributions from the Members Deposit Account to the Employer's Accumulation Account without making any change in the records in the member's folder. These transfers will be made annually or as deemed necessary. If the additional salary does increase or decrease the retirant's benefits at least \$5.00 annually, we will recompute benefits and make the necessary changes in the member's records.
3. A member may cancel his application for retirement benefits any time prior to thirty (30) days after the later of: the effective date of benefits; or the signing of the Final Retirement Contract. The member shall notify the Teacher Retirement System of such cancellation in writing within the 30-day period, and he shall again become eligible for active membership in the system. This shall be in effect for the 1993-94 fiscal year and thereafter.
4. Terminal leave earned prior to the date of termination of employment does not change the date of termination, although a lump sum payment is made subsequent to the date of termination. The key to termination is the date the employee actually goes off the payroll. A lump sum terminal leave payment does not constitute salary or wages and such payment may not be included in reporting total salary or days of service and is not subject to Teacher Retirement deductions (Attorney General's Opinion #76-144).
5. Benefits are payable through the month in which the retirant's death occurs.
6. Annuity Options: Prior to the date the first payment of an annuity becomes due, but not thereafter, except as provided under item 7, a member retiring on age and service or disability may elect to receive his annuity provided in one of the following options:

Option 1: He may elect his annuity as straight life annuity payable as long as he lives. Upon his death the difference, if any, between his accumulated contributions, plus interest, and the amount paid in benefits, shall be paid to the beneficiary, if living; otherwise it will be paid to the estate.

Option A: He may elect the actuarial equivalent of his straight life annuity in a reduced annuity payable throughout his life and, upon his death, his reduced annuity shall be continued throughout the life of, and paid to, such person as he shall have nominated by written designation duly executed and filed with the Board of Trustees prior to the date of the first payment of his annuity becomes due. Such person must either be his spouse for not less than one year immediately preceding such first payment due date or another person, aged 40 years or older, receiving more than one-half support from the retirant for not less than one year immediately preceding such first payment date, provided the age 40 requirement shall not exclude designation as beneficiary a dependent child who has been ruled physically or mentally incompetent by an Arkansas court of competent jurisdiction (or by the Board).

Option B: He may elect the actuarial equivalent of his straight life annuity in a reduced annuity payable throughout his life and, upon his death, one-half of his reduced annuity shall be continued throughout the life of, and paid to, such person as he shall have nominated by written designation duly executed and filed with the Board of Trustees prior to the date the first payment of his annuity become due. Such person must be either his spouse for not less than one year immediately preceding such first payment due date, or another person, age forty (40) years or older, receiving more than one-half support from the retirant for not less than one year immediately preceding such first payment due date, provided that the age 40 requirement shall not exclude designation as beneficiary a dependent child who has been ruled physically or mentally incompetent by an Arkansas court of competent jurisdiction (or by the Board).

If a retirant who elected Option A or B and his beneficiary both die before he has received an annuity equal to the accumulated contributions standing to the retirant's credit in the Member's Deposit Account at the time of his retirement, the difference between his said accumulated contributions and the said total amount of annuities received by him shall be paid to such person or persons as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If no such designated person survives the retirant and his surviving beneficiary, such difference, if any, shall be paid to the estate of the survivor of the retirant and his beneficiary.

Option C: He may elect a reduced annuity payable throughout his life with the provision that if he dies before he has received 120 monthly annuity payments, the payments will be continued for the remainder of the period of 120 months and paid to each person or persons, in equal shares, as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If such designated beneficiary or beneficiaries predecease the retirant, the retirant may nominate a successor beneficiary or beneficiaries by written designation duly executed and filed with the Board. If no such designated beneficiary survives him, the annuity reserve for the remainder annuity payments shall be paid to the retirant's estate.

Prior to the signing of the Final Retirement Contract, the retiree shall name a beneficiary or beneficiaries and may name a contingent beneficiary or beneficiaries.

The Attorney General has ruled that a beneficiary of a retiree may not name a beneficiary to succeed him should he not survive to draw the remaining 120 payments under Option C. All beneficiaries or contingent beneficiaries must have been named by the retiree; otherwise, the money will be payable only to the estate of the retiree or survivor, whichever is applicable.

7. The death of a spouse or divorce or other marriage dissolution following retirement shall, at the written election of the retirant, cancel any optional plan elected at retirement to provide continuing lifetime benefits to such beneficiary and return the retirant to his single lifetime benefit equivalent, to be effective the month following receipt of his election by the system. A retirant who is receiving a single lifetime benefit and who marries after retirement may elect to cancel his single lifetime benefit and elect Option B providing continuing lifetime benefits to his spouse, provided such election is on a form approved by the system and is received by the system not earlier than the date of such marriage and not later than six months after such date; such election shall be effective the first day of the month following such receipt.
8. Effective February 7, 1991, the designated beneficiary of a retiree who chose Option 1 (straight life annuity) may elect to cancel the form of annuity in effect and elect Option A - 100% Survivor Annuity upon the death of a retirant on or after July 1, 1989, if the retirant died within one year following the effective date of retirement and the retirant was receiving a straight life annuity. Such election to change may be made only once and must be on a form approved by the system. The election form must be received by the system within thirty (30) days after the effective date of Act 51 of 1991, or within thirty (30) days of the death of the retiree, whichever is later. Such election change shall become effective the first day of the month following receipt of the election form by the system.
9. Authorization of the use of postmark date as the official date of a transaction: The postmark date may be used as the official date of a transaction when the use of the mails is the usual and customary method of communication for handling such transactions.
10. The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement under the provisions of the law.

EARLY INCENTIVE LAW
(Act 808 of 1987)

DEFINITION - An employee of a state agency who, on April 8, 1987, was an active member of the Teacher Retirement System and qualified to retire before January 1, 1988, under the Early Retirement Incentive Law of 1987 (Act 187 of 1987), could elect to become a member of the Public Employees Retirement System and have his credited service in the Teacher Retirement System transferred to the Public Employees Retirement System.

POLICIES

1. The employee will make the election to transfer to the Public Employees Retirement System on a form furnished by the system.
2. The transfer from the Teacher Retirement System to the Public Employees Retirement System will become effective on the date of retirement.
3. The Teacher Retirement System will certify to the Public Employees Retirement System a record of the employee's service credit in the Teacher Retirement System.
4. At the time of retirement, if the employee is a non-contributory member of the Teacher Retirement System, he will retire under the non-contributory provisions of Act 187 of 1987 and shall be entitled to a refund of employee contributions made since January 1, 1978, to the Teacher Retirement System.
5. At the time of retirement, if the employee was a contributory member of the Teacher Retirement System, he will retire under the contributory provisions of Act 187 of 1987.
6. For any employee who elects to transfer to the Public Employees Retirement System, that system will pay the monthly benefits.
7. The Public Employees Retirement System will certify monthly to the Teacher Retirement System the amount of monthly benefits paid and the Teacher Retirement System will transfer that amount to the Public Employees Retirement System.
8. Upon receipt of a death certificate from the Public Employees Retirement System for a retirant who chose straight life annuity and has a balance remaining in his account, the Teacher Retirement System will transfer the remaining balance in the retirant's account to the Public Employees Retirement System for refunding to the designated beneficiary or beneficiaries.

DISABILITY RETIREMENT

DEFINITION

Upon the written application by a member, or upon written application by his employing authority on behalf of the member, filed with the Board of Trustees, a member in employer service who has ten (10) or more years of credited service, and who has become or becomes totally and permanently physically or mentally incapacitated to perform the duties of his position covered by the Teacher Retirement System, as a result of a personal injury or disease, may be retired by the Board of Trustees; provided, that after a medical examination of said member made by or under the direction of the Medical Board, the Medical Board reports by majority opinion in writing to the Board of Trustees, that such member is:

- (1) Physically or mentally totally incapacitated for the further performance of duty,
- (2) That such incapacity will probably be permanent, and
- (3) That such member should be retired or
- (4) That such member should be retired under temporary disability retirement to be reconsidered at a specified time.

Such disability retirement shall be effective the first day of the month following the later of: his termination of active membership; or six months prior to the date written application is filed with the Board.

The annuity formula for computing disability retirement benefits is the same as for age and service retirement.

The Board of Trustees may require any disability retirant who has not attained age 60 to undergo a medial examination to be made by or under the direction of the Medical Board at least once each year during the first five (5) years following a member's retirement, and at least once in each three-year (3) period thereafter.

If a disability retirant becomes employed as a full time employee by an employer whose employees are covered by a State supported system or the University of Arkansas, his disability retirement shall terminate. His credited service and accumulated contributions at the time of his disability retirement shall be restored to his credit in the members deposit account, and he shall immediately again become a member of the System, if eligible. In no event shall a member be given service credit for the period in which he received a disability annuity. (Act 541 of 1977)

POLICIES

1. (Deferred provision under old law) - Disability protection continues for deferred members with 27 years of service if deferred status was effective before July 1, 1971.
2. (Deferred Provision) - Disability protection continues for deferred members, provided applicant's physician can present medical information to substantiate approval by the Medical Board that disability occurred while last employed in a position covered by the System.

3. (Active Membership) - The member must be an active member of this System when the disability occurs. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay, upon which the member is making contributions, also continues active membership.
4. (Death of an active member) - In the case of an active member who has made application for disability retirement and dies before he has signed his Final Retirement Contract, determination must be made by the System, on an individual basis, as to whether survivor benefits or disability benefits would be payable.
5. (Effective date of benefits) - In determining the date to be used for termination of active membership, as applied to the effective date of disability benefits, the last date of teaching is to be used. Paid sick leave, if any, would be included to extend the date of active membership and would be included to determine the days of service to be credited.
6. (Date of application) - The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement benefits under the provisions of the law.
7. (Refunded service) - An active member of the System who applies for disability retirement is eligible to repay any refunded service, provided that the member repays to the System the amount withdrawn, plus interest, from the date of withdrawal to the date of final payment. (See repayment of refund section).
8. (Back Contributions) - An active member of the System who applies for disability retirement is eligible to pay contributions, and employer costs, plus interest, on service rendered in a covered position after July 1, 1937, on which no applicable contributions and employer costs have been paid and on which no service has been credited, provided he completes all requirements. (See Back Contributions section)
9. (Military service) - An active member of the system who applies for disability retirement is eligible to file proof of military service provided he completes the requirements established for military service. (See Military Service section)
10. (Reciprocal service)
 - (a) If a member has ten (10) or more years of creditable service in two or more reciprocal systems, he is eligible to apply for disability benefits from each reciprocal system.
 - (b) Eligibility for disability benefits is determined under the rules and regulations of each respective reciprocal system.

- (c) He shall be eligible for a refund of his accumulated contributions plus interest, if any, from any reciprocal system in which he does not qualify for disability benefits. Such refund shall not alter his eligibility for benefits from any other reciprocal system.
 - (d) His annuity for disability retirement payable by the preceding system shall begin the first day of the calendar month next following the month he filed his application for same with the preceding system but not prior to the date he leaves the employ of his last State employer.
11. (Minimum Benefits)* - A disability retirant shall not receive less than (1800.00 per year (contributory option) or \$1128.00 (non-contributory option).
 12. Disability retirees who are approved for only one year shall be reviewed one year from the effective date of benefits. Disability retirees who are disapproved for further disability annuities shall be removed from the payroll the earlier of: six months following the review date (one year from effective date of benefits) or the first of the month following return to full time employment.
 13. If a member is approved for disability retirement but continues to work, he/she must terminate employment at the end of the school year. If service is not terminated at that time, a new application must be submitted and Medical Board approval must be given, based on the new application.
 14. If a disability retirant returns to full-time employment and receives credited service but dies before he completes 120 days of creditable service, a determination must be made as to whether survivor or disability benefits will be payable.
 15. If a member applies for disability retirement and is disapproved, he/she has the right to appeal that decision. If a new application has been filed for the appeal and is approved, the effective date of benefits will be determined by the date of the filing of the original application.

Amended September 20, 1979 pursuant to Acts 656 and 766 of 1979.

DEFERRED RETIREMENT

DEFINITION

An inactive member with 10 or more years of credited service may retire upon or after attaining age 60, provided he is not employed in a position covered by another retirement plan which is supported wholly or in part by state contributions.

An inactive member with 25 or more years of credited service may retire at age 55 with a reduction in benefits. The reduction shall be as provided in A.C.A. 24-7-702 as amended.

Benefits are effective the first of the month following the later of: the date the member's application is received in the Teacher Retirement System office or the deferred annuity age. Deferred annuity age is age 55 for members terminating active membership with 25 or more years of credited service and age 60 for all other members eligible for a deferred annuity.

The member shall receive, or shall have paid on his behalf, benefits in accordance with the benefit program in effect at the time of retirement.

POLICIES

1. A.C.A. 24-7-712 applies to anyone who has qualified for service retirement and who does not re-enter service again before he applies for benefits.
2. Deferred members acquire survivor, disability and early retirement privileges after rendering one year of service credit subsequent to re-entering the Teacher Retirement System.
3. A person who leaves a position covered by the Teacher Retirement System and is employed by a reciprocal system and files a reciprocal service agreement becomes a deferred (inactive) member and is entitled to the benefit formula in effect at the time of retirement, exclusive of any minimum amounts. Benefits shall be based on the highest final average salary furnished by the respective reciprocal systems involved.

EARLY RETIREMENT

DEFINITION

Early retirement with a reduction in the benefit formula allows an active member who has at least 25 years of credited service but who has not attained age 60 to retire early on a reduced annuity.

Early retirement (deferred) allows an inactive member with 25 or more years of credited service to retire with a reduction. Effective date of benefits for inactive member is the first of the month following the later of: the date the member's application is received in the Teacher Retirement office or age 55.

DEATH AND SURVIVOR BENEFITS

DEFINITIONS

1. Lump-sum death benefits of the deceased member's contributions plus interest are payable if no survivor benefits are payable. If the spouse is qualified for survivor benefits, he may request the lump-sum payment rather than monthly benefits, provided no dependent children qualify for monthly benefits from the account. Survivor benefits are payable to certain dependents upon the death of an active member with five (5) or more years of credited service including credited service for the year immediately preceding his death.
2. A dependent child shall be defined as:
 - (A) A natural child of the member;
 - (B) A child that has been made a dependent of the member by adoption or other court action prior to the time of the death of the member; or,
 - (C) A child under the permanent care of the member prior to and at the time of death of the member, which permanent care status shall be determined by evidence satisfactory to the Board.
3. Fifty per cent (50%) dependency for survivor benefits for parent is defined: If the annual income of the parent (parents) was not greater than the amount contributed by the deceased member for his support, the parent is considered 50% dependent for financial support.

POLICIES

1. Survivor Benefit Payments: Separate payments shall be made to the spouse and to each child, rather than one lump-sum check payable to the spouse each month.
2. 50% Dependency: If the surviving parent did not have income exceeding the amount contributed to his support by the deceased member during the preceding calendar year, then for the purpose of the plan, he would be considered 50% dependent.
3. Specifics in the law dealing with the rights of the spouse are construed to take precedence over designated beneficiaries; provided that if at the time of the member's death there are no dependent children and the surviving spouse who would otherwise receive the annuity under this paragraph has filed with the system a signed waiver of his right to the annuity and that waiver was in effect at the time of the member's death, a lump sum distribution of the deceased member's accumulated contributions, plus regular interest, may be made to any beneficiary or beneficiaries so designated by the member before death.
4. Dependent child: Under part 2 (C) of the definition of a dependent child, the Board requires that the child must:

- (A) Meet requirements and qualify for survivor benefits under social security;
 - (B) Have been claimed as a dependent by the deceased member on his federal income tax for the immediately preceding calendar year; and
 - (C) Have lived in the same household for at least two (2) years immediately preceding death of the member, unless the child is under two years of age.
 - (D) A child identified as a dependent will remain so until his death or his marriage or his attainment of age 18, whichever comes first; provided the age 18 maximum shall be extended as long as the child continues uninterruptedly being a full time student at an accredited secondary, or post secondary school (vocational technical school) or college or university, but not beyond his attainment of age 23; or as amended by Act 549 or 1975 [A.C.A. 24-7-710 (c)]. A full time student is defined as one carrying 12 semester hours (eight trimester hours) in college or four hours per day in a secondary or post secondary school.
5. If a surviving dependent child, who has obtained or passed age 18 (and drawing benefits) becomes temporarily physically or mentally incompetent, the Teacher Retirement Board can continue paying benefits upon receipt of a doctor's certification that the child is not competent to attend school for the period of one semester (term). At the beginning of the next semester or term, A.C.A. 24-7-710 (c) will be effective.
 6. Certification of attendance in an accredited school may be made by the dependent child in the absence of a parent or legal guardian (after the dependent child reaches age 18).
 7. Survivor benefits in case of death of disability applicant: In the case of an active member who has applied for disability retirement and dies before he signs his Final Retirement Contract, determination must be made on an individual basis as to whether survivor benefits will be payable or whether the case will be processed for disability retirement.
 8. Covered Salary: For the purposes of determining survivor benefits, covered salary shall be that salary on which the member would have made contributions had he lived through the end of the fiscal year as evidenced by the contract salary or \$7,800 maximum.
 9. Payments of salary that are made after the death of a member, but have been earned prior to death are subject to Teacher Retirement deductions and reported in total salary and days of service on the D-2a. Payments made by an employer subsequent to the death of an active member that had not been earned but are made as a gratuity shall not be included as salary and are not subject to deductions. A lump sum terminal leave payment does not constitute salary or wages and such payment may not be included in reporting total salary or days of service and is not subject to Teacher Retirement deductions.

10. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certifies continuing employment, and leave of absence with pay upon which the member is making contributions also continues active membership.
11. If death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive more as a percent of the deceased member's final pay or as a minimum dollar amount than the largest amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with any other reciprocal system that has a minimum benefit provision in its plan. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratios of such service in such system to the total service in all reciprocal systems.
12. When the member elects to transfer from the Teacher Retirement System to the Public Employees Retirement System under the provisions of Act 793 of 1977 the Public Employees Retirement System becomes the system responsible for determining, upon the death of a member, a survivor's eligibility for a refund of the member's account, or monthly survivor benefits.

REPORTING

DEFINITIONS

1. "Salary" means the recurring remuneration paid an employee for personal services rendered by the member in a position, or positions, covered by the system. It includes remuneration received from all covered employers during a school fiscal year.
2. "Covered salary" means the portion, or all, of an employee's salary which is covered by the system. For each member who first became a member before July 1, 1971, his covered salary for each year after June 30, 1969 is the first \$7,800 of his total annual salary for all covered employment unless he has elected to make contributions to the system on his full salary. For each member who first became a member after June 30, 1971, or has elected to make contributions on full salary, his covered salary is his full salary for all covered employment.
3. "Covered Employer" means each employer for whom a member renders service in a covered position.

POLICIES

1. In determining "salary," no consideration shall be given to (a) any non-recurring single sum payment paid by an employer or (b) any employer contributions to any employee benefit plan, except cafeteria plans as defined in A.C.A. 21-5-90, or (c) any other unusual or non-recurring remuneration or stipends paid by an employer or other educational agency which are five hundred dollars (\$500) or less in amount, but not cumulative, except that money which is in lieu of remuneration and which is used by an employer to purchase a qualified tax sheltered annuity or a life insurance policy for an employee shall be considered as "salary" for system purposes. If an eligible employee of a government entity, as defined in Act 810 of 1987, elects to participate in a cafeteria plan which meets the requirements of the Federal Internal Revenue Code, the amount by which such employee's salary is reduced pursuant to a salary reduction agreement, as defined in Act 810 of 1987, shall continue to be included as compensation for the purpose of computing retirement benefits. Employees participating in the contributory plan will pay 6% of the total salary earned before such reductions are made, and employers will report the total salary earned before any reductions.
2. An employee who is receiving remuneration under both a regular contract and a purchased contract or under both a regular contract and a contract won through litigation shall have only the greater of the two amounts considered as "salary" for system purposes.
3. Should an employee make a charitable donation or return any part of his salary to his employer, the amount of his recurring remuneration otherwise useable as "salary" shall be reduced by such amount or amounts to arrive at his "salary" for system purposes.
4. The system will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in

policies 1-3. In case of doubt, the facts will be determined and the board will decide whether or not payments reported as salary can be accepted as salary for retirement purposes. Contributions based on payments that are not salary for retirement purposes will be refunded as promptly as possible.

5. If a member is making contributions to the system on a covered salary of \$7,800 rather than his full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800 (\$468). Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.
6. A member who left covered employment before July 1, 1985, and who had annual compensation of \$7800 or less, shall upon return to covered employment, have full salary considered for retirement purposes.
7. In order that each member of the Teacher Retirement system may receive credit for his days of service, his covered salary and his contributions on a timely basis, each employer shall report to the System on the following schedule:

<u>Form No.</u>	<u>Title of Report</u>	<u>Data & Enclosures Required</u>	<u>Date Due</u>
D-1	Employees Monthly Remittance Report	(1) Name and account no. of employing unit (2) Date Payroll period ended (3) Total employee contributions due System (4) List and total of checks enclosed	From Public Schools 15th day of the following month From colleges and state agencies - 15 days after end of each pay period
D-1a	Employers Monthly Remittance Report	(1) Name and account no. of employing unit (2) Type of employer and source of funding (3) Date Payroll period ended (4) No. of employees in positions covered by TRS (5) Total assessable salaries (6) Total employer contributions (7) List and total of checks	For Public Schools 15th day of the following month For colleges and state agencies 15 days after end of each pay period

<u>Form No.</u>	<u>Title of Report</u>	<u>Data & Enclosures Required</u>	<u>Date Due</u>
D-2a	Quarterly	(1) Social Security No. of each member employed during quarter (2) Name of each member (3) Salary of each member by source for quarter (4) Total salaries of each member (5) Days worked during quarter by each member	15 days of the following month

8. Each of the above reports must be on forms that are either furnished by the Teacher Retirement System or approved by the System.
9. The employer's cost for the local school district with Federal Programs, institutions of higher learning, and other State agencies, shall be the State's percent of the next preceding fiscal year to be applied to the assessable salary for the current fiscal year.
10. Four hours shall be required as the minimum for a "day of service" for all employees. For part-time employees who do not work full days, total the number of hours or periods worked in a school year and divide by four (4) to determine the number of days to be credited as a year of service or as a fraction of a year.
11. Kindergarten teachers who are employed by a school district shall be compulsory members of the Teacher Retirement System. The local school district will be responsible for employer contributions on salaries paid kindergarten teachers when the salaries are financed from any source other than the Public School fund allocation.
12. Should an overpayment or an underpayment of contributions be reported from the local level in an amount of more or less than \$5.00, it shall be handled in the following manner by this office.:
 - (a) If the underpayment of less than \$5.00 was reported from the local level, contributions will be credited to the member's contribution account, and no attempt will be made to collect the difference of this underpayment.
 - (b) Should an overpayment of contributions of less than \$5.00 be reported from the local level, no refund of this amount will be made to the member, except upon written request from the member. The total amount reported by the employing authority shall be credited to contributions.
13. 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 regular interest beginning with the subsequent fiscal year; provided further, in no case shall a member be

given credit for service rendered until any contributions and interest due from each are paid in full.

14. For each fiscal year beginning July 1, 1993, or later, the dollar amount of state employer contributions to be paid during the fiscal year shall be the lesser of the result of multiplying the applicable percent of active member payroll for the fiscal year by the total covered salaries during the fiscal year, including any required prior year reported salaries of members whose positions are financed by the State Public School Fund, taking the result to the nearest dollar, or the amount appropriated by the General Assembly during each biennium.

Penalties for Late Remittances

1. Effective July 1, 1993, any participating employer failing to remit required moneys to the system by the fifteenth (15th) day of the month in which due shall have a penalty of six percent (6%) interest annually imposed on the moneys due.
2. Effective July 1, 1993, any participating employer failing to file with the system by the fifteenth (15th) day of the month in which due the required reports shall have imposed a penalty of \$150.00.
3. The moneys and retirement reports due shall not be considered late if received by the fifteenth (15th) day of the month or are postmarked no later than the fourteenth (14th) day of the month in which due.
4. If the penalties are not received by the last business day of the month in which due, the amounts due shall be transferred from any moneys due the participating employer from the State Treasurer and Department of Education as provided in Sec. 19-5-106(a)(5) of the Arkansas Code.

REFUNDS

DEFINITIONS

1. "Accumulated Contributions" means the total of all amounts contributed by a member and standing to his credit in his individual account in the members deposit account, together with regular interest credited thereon.
2. "Regular Interest" means such rate or rates per annum, compounded annually, as the Board shall from time to time adopt.

POLICIES

1. Should an overpayment of contributions of less than \$5.00 be reported from the local level, no refund of this amount will be made to the member, except upon the written request from the member. The total amount reported by the employing authority shall be credited to contributions.
2. On refunded contributions, the rate for all interest credited before June 30, 1984 is three percent, compounded annually, after the first year of contributions. The rate of interest credited on and after June 30, 1984 is six percent, compounded annually, after the first year of contributions. Interest shall be computed on each member's individual account as of June 30 each year by multiplying the balance in the member's individual account as of July 1 (including all contributions and interest credit from previous years) plus one-half his contributions for the year ending on June 30 by three percent.
3. Interest is not paid on contributions made in the year in which a refund is paid.
4. On and after June 30, 1984, the Board of Trustees shall annually set the rate of interest during the first quarterly meeting of the Board, based on the reports of the actuary and the investment counsel.
5. Any members receiving a refund, who have previously received a refund and repaid the contributions shall be refunded the 6% purchased interest paid on such refund. This same policy shall be applicable to interest paid on purchase of in-state service, out-of-state service, and military service.
6. Effective May 19, 1992, refunds of contributions will be made within six months from the date of receipt of the written application in the Teacher Retirement System office.
7. Certification of the amount of contributions to be refunded may be made to a lending agency (bank, etc.) upon written request by the members. Refunds must be made to the member as payee, but may be sent to the lending agency if authorized by the member.
8. Employers are responsible for the accuracy of information on salaries and contributions that they certify to the system on refund

applications. If information certified by an employer causes the system to overpay a refund, and if the system is unable to secure reimbursement of the overpayment from the member receiving the refund, the employer shall reimburse the system the amount of such overpayment.

9. A refund of contributions forfeits credited military service. Repayment of the refund plus interest reestablishes the forfeited military service. If military service was not credited a member prior to the refund of his contributions, repayment of the refund is not necessary to establish military service credit, provided the member meets the requirements listed above.
10. Beginning January 1, 1993, should a member, or spouse, if the member is deceased, become eligible to receive a refund of contributions and elect to make a direct rollover of a distribution to an eligible retirement plan of all or part of his eligible rollover distribution, the amount shall be paid to the trustee of the eligible retirement plan.

PART I

MILITARY SERVICE RENDERED PRIOR TO JULY 1, 1973
WWII, KOREAN, VIETNAMDEFINITION

"Compulsory military service" means active military duty rendered between July 1, 1937, and July 1, 1973, by a member who was not active member at the time of entry into such Armed Forces but was a member at the time proof of service was filed, who completed 10 years of credited service exclusive of any credits for military service.

POLICIES

Military service rendered before teaching service shall be subject to the following limitations:

1. Military service was rendered not earlier than July 1, 1937, and entry date was not later than June 30, 1973.
2. Military service for credit shall not exceed 5 years and the years to be credited shall be closest to teaching service.
3. A member who entered the Armed Forces of the United States during any period of compulsory military service is only eligible for credited service based on his initial enlistment. Any military service rendered by virtue of re-enlistment or voluntary extension of original enlistment is not considered compulsory and shall not be allowed as credited service.

4. Certification

Form M-1 for proof of military service filed after July 1, 1969, stipulates that military service can be established provided the member is not receiving, or eligible to receive, retirement benefits for active duty, excluding disability, from any other source. The member will be required to recertify this statement at the time he retires.

5. Such period of military service credit shall be based on 120 days of service rendered during a fiscal year, July 1 through June 30. Fractional years of service cannot be credited until after July 1, 1971, as specified in fractional years of service as discussed in the Membership Section. (See Membership)
6. For military service, 30 days shall be considered a month. For borderline cases, the actual number of days in the month shall be counted.
7. A refund of contributions forfeits credited military service. Repayment of the refund, plus interest, re-establishes the forfeited military service. If military service was not credited a member prior to the refund of his contributions, repayment of the refund is not necessary to

establish military service credit, provided the member meets the requirements listed under Items 1 through 6 above.

8. If a member who has been given credit after July 1, 1986, for free military service retires with both CP and NCP service credit, his military service credit shall be divided between the CP and NCP at retirement in the same proportion that his CP service and his NCP service bear to total active service, notwithstanding the fact that some of the military service shall be credited as non-contributory service before July 1, 1986.
9. Military service may be established at any time after entrance into the Teacher Retirement System but official crediting shall be after completion of 10 years of membership credit, excluding military service credit.
10. If mandated by federal law, armed service not otherwise creditable shall be creditable, provided the member pays the employee and employer contributions required by the System, plus regular interest from the date of discharge from active duty until paid in full.
11. Military service rendered prior to July 1, 1971 can be combined to count as a year, provided:
 - a) The minimum number of days to be combined is 120.
 - b) The maximum number of fiscal years to be combined is two (2).
 - c) The fiscal years combined must be at the beginning and the end of the creditable military service and a part of that tour of active duty.
 - d) The combined military service must have been during fiscal years in which the member did not receive credit for a year of teaching service.
 - e) Such military service shall be credited in accordance with Teacher Retirement policies and procedures.

PART II

MILITARY SERVICE THAT INTERRUPTS TEACHING SERVICE

DEFINITION

Compulsory military service credit for a member means military service rendered beginning July 1, 1937, through June 30, 1973; provided, he returns to the System the amount, if any, he may have withdrawn when he entered or while in such armed service, plus interest, from the date of withdrawal to the date of repayment.

POLICIES

1. Compulsory Military Service - Any duty served as military obligation, including active duty service in the National Guard or Reserve.
2. A member whose military service interrupted teaching service is not required to be an active member of the System at the time he files proof of his military service.
3. A member who entered the Armed Forces of the United States during any period of military service is only eligible for credited service based on his initial enlistment. Any military service rendered by virtue of re-enlistment or voluntary extension of original enlistment is not considered compulsory and shall not be allowed as credited service.
4. An active member who did not withdraw his contributions and enters military service may receive credit for such military service up to five years and his teaching (membership) service credit and his military service credit shall be immediately reactivated upon such return to membership. If such member did receive a refund of contributions, his refund must be repaid in full before refunded service and military service may be credited. A member must have 10 years of Arkansas credited membership service before his military service may be used in the computation of benefits.
5. Military service after July 1, 1971, can be credited in fractions of years in the same manner as teaching service. (See Membership)
6. Certification

Form M-1 for proof of military service filed after July 1, 1969, stipulates that military service can be established provided the member is not receiving, nor is he eligible to receive, any military service retirement pension for active duty, excluding disability payments, from any other source. Members must certify this statement at the time credit for military service is established, and he must recertify the same at the time he retires.

PART III

PURCHASE OF MILITARY SERVICE UNDER ACT 573 OF 1975
AS AMENDED BY ACT 1098 OF 1993DEFINITION

Effective August 13, 1993, any person who is a member or former member of a state-supported retirement system may purchase up to five (5) years of credited service in the System for military service prior to becoming a member of the state-supported retirement system.

For the purpose of purchasing military service credit - Military service rendered is defined to be any active duty service as military obligation including active duty service in the National Guard or Reserve.

POLICIES

1. Military service rendered prior to July 1, 1971, will not be credited unless it is for a full year as defined in terms of the number of days necessary to receive credit for a year of membership service (120 days rendered during a fiscal year - July 1 through June 30. Thirty (30) days shall be considered a month). Military service after July 1, 1971, can be credited in fractions of years in the same manner as membership service.
2. Effective August 13, 1993, the computation for the purchase of military service under Act 573 of 1975, as amended by Act 1098 of 1993, shall be the rate of employee contributions required on the salary earned, or the maximum assessable salary, for the first year of membership service credit, and the rate of employer contributions in effect at the time first eligible to purchase the military service, excluding refunded service. Interest will be figured from the eligibility date (six (6) months after completion of ten (10) years of membership service credit) or January 1, 1976, whichever is later.
3. A person may contract to purchase one (1) year at a time if he so chooses. The year or years to be purchased shall be closest to member service. He may make partial payments if the amount due is \$300 or greater.
4. Eligibility to purchase military service credit shall be subject to the following conditions:
 - a) Any person who is now or was in the past a member of a reciprocal system and has ten (10) years of combined credited membership service, or
 - b) A member of the Teacher Retirement System with ten (10) years of membership service credit.
 - c) Must have received an honorable discharge.
 - d) No more than five (5) years may be purchased.

- e) Total military service credit, including purchased military service, cannot exceed five (5) years.
 - f) Member cannot purchase identical service in more than one retirement system.
 - g) There will be no interest on these contributions if the service is purchased:
 - 1) Before January 1, 1976, or
 - 2) Within six (6) months after he becomes eligible.
 - h) Member must pay employee and employer contributions and interest.
 - i) The member is not receiving and will not be eligible to receive federal military service retirement pay (other than disability) based upon nineteen (19) or more years of active duty.
5. Effective July 1, 1986, all purchased military service credit shall be counted as contributory service and benefits based on this service shall be computed as contributory service.
6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

PURCHASED MILITARY AND RECIPROCITY

POLICIES

1. The cost to purchase military service is based on the member's contributions at the time he received credit for a full year of service in the system, plus the employer contribution rate in effect at the time he first became eligible to purchase the military service.
2. If the member purchasing military service has reciprocal service, the cost is based on the salary and contribution rate in effect at the time he joined the system in which he is purchasing the military credit, plus the employer contribution rate in effect at the time he first became eligible to purchase the military service.
3. If the member has 10 years of reciprocal service, he may purchase military service with the system of his choice.
4. All monies paid for the purchase of military service shall be credited to the member's deposit account.
5. Any member not receiving federal military service retirement pay, excluding disability, based upon nineteen (19) or more years of active duty is eligible to purchase his military service.
6. Military service purchased while a non-contributory member will be considered contributory service and will be figured in the computation of benefits as contributory service.

FREE MILITARY SERVICE UNDER RECIPROCITY

POLICIES

1. The policies covering free military service credit to a member of the Teacher Retirement System apply to free military service credit under reciprocity.
2. Crediting free military service when Teacher Retirement is the preceding system:
 - a) Military service credit can be restored if it was credited while the applicant was a member of the Teacher Retirement system and he repays his refunded service in full.
 - b) Military service can be credited in the Teacher Retirement System if it interrupted teaching service provided he has 10 years of credited service in the System.
3. Military service credit can be purchased under Act 573 of 1975, as amended, provided the applicant does not have military service credit under another retirement system.
4. Military service credit may be used in the computation of benefits if the member does not have military service credit under another retirement system.
5. Recertification of military service credit will be required for all service credited after 1969.

CREDITING OF MILITARY SERVICE UNDER ACT 793

POLICIES

1. Active members of the TRS may establish military service credit in the TRS under the same regulations listed in the Policy Manual regarding military service, provided they do so before they transfer membership to the PERS. Once membership is transferred, they are no longer eligible to do this.
2. If a member transfers membership before completing the ten-year requirement, he would be disqualified from establishing free military service credit.
3. If a member has at least ten years of combined service, military service can be purchased in PERS.
4. If a member who has established free military service credit has fewer than ten (10) years of credited membership service remaining in the Teacher Retirement System after transferring membership to the Public Employees Retirement System under Act 793, his free military service credit shall be cancelled.

REPAYMENT OF REFUNDS

DEFINITION

"Repayment of refund" means repayment to the system of contributions that have been withdrawn. Withdrawal of contributions forfeits credited service. Service credit can be restored by repayment of a refund.

POLICIES

1. To be eligible to repay a refund, a person must be an active member of the system. A person who has received a refund may re-establish active membership by rendering one or more years of credited service after receipt of his refund.
2. To repay a refund requires repayment of the entire amount withdrawn, plus 6% regular interest from the date of withdrawal to the date of final payment. If a member has received more than one refund, repayment must be made in inverse order.
3. Effective January 1, 1988, all purchases and payment shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

BACK CONTRIBUTIONS

DEFINITION

Back Contributions - Contributions payable by an active member for service rendered in a covered position after July 1, 1937 on which no applicable contributions have been paid and on which no service has been credited.

POLICIES

1. Back Contributions - After July 1, 1971, the number of days required to establish a year of service since 1937 is 120 days. Fractional credit may also be established only for service rendered after July 1, 1971.
2. Credit for back service established before July 1, 1984, may be purchased by the member paying to the system the employee contributions, plus regular interest, from the time the service was rendered until contributions are paid in full.
3. Effective July 1, 1984, back service credit may be established only by paying both the employee and employer contributions, plus regular interest, from the time the service was rendered until contributions are paid in full.
4. Policies 2 and 3 shall be applicable to:
 - a) Service credit being established by a person who has elected to exclude himself from membership under A.C.A. 24-7-501(b)(1).
 - b) Any other eligible service for which no service credit has been established.
 - c) A member who is making contributions on the first \$7,800 of his salary may elect to change to full salary under the following conditions: If such election is made between July 1, 1973 and June 30, 1984, the member must pay to the system the difference plus regular interest between full salary contributions and contributions based on \$7,800 retroactive to July 1, 1969 or the actual date of employment, whichever is later. If such election is made July 1, 1984 or later, the member must pay to the system both the added member contributions and the added employer contributions which would have been paid to the system had the member's full salary always been covered, plus regular interest from the dates the added contributions would normally have been received by the system to the date of such actual payment.
5. Effective July 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required. Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00; the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

6. No back contributions will be billed on service before July 1, 1971 unless payment of such contributions will add to a member's service credit.
7. For service established June 1, 1989, or after, no back contributions will be billed on service unless payment of such contributions will add to a member's service credit.
8. If a member does not purchase at one time all of his back service credit, he must purchase the remainder in inverse order.

PURCHASE OF OUT-OF-STATE SERVICE

DEFINITION

Out-of-state service means service rendered in any state except Arkansas in a position which would have been covered by the System had the service been rendered in the State of Arkansas.

POLICIES

1. Before July 3, 1989, in order to purchase out-of-state service, such service rendered in any state except Arkansas must have been for a minimum of 120 working days in a fiscal year. In computing the cost to purchase out-of-state service, 19.50% of the annual salary earned for the first full year of Arkansas teaching service will be used, together with regular interest from the end of that year of service to the date of final payment.

On and after July 3, 1989, an active member who had both in-state and out-of-state service in one (1) school year may contract with the Board for one (1) year of service to be credited as service in the same manner as provided for out-of-state service credited before July 3, 1989, if the service meets the following additional requirements:

- a) The combination of in-state and out-of-state service rendered in the fiscal school year was not fewer than one hundred twenty (120) days; and
 - b) The person had not less than thirty (30) days of out-of-state teaching service in the school year and not less than thirty (30) days in-state teaching service in the fiscal school year.
2. A year of out-of-state service shall be for a minimum of 120 days, except that for out-of-state service purchased on or after July 3, 1989, in-state and out-of-state service rendered in the same fiscal year may be combined to reach the required 120 days, provided the member had at least 30 days of both in-state and out-of-state service credit. Twenty (20) days shall be considered a month.
 3. Salaries for purchased out-of-state service are not recorded. In computing final average salary, only Arkansas salaries shall be used in the determination of five highest years.
 4. Purchased out-of-state service shall be credited to the year in which it was rendered and cannot be purchased if prior to 1937-38.
 5. Effective July 1, 1986, all purchased out-of-state service shall be counted as contributory service.
 6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

7. If a member does not purchase, or is not eligible to purchase, all of his out-of-state service, he must purchase the remainder in inverse order.
8. Beginning July 1, 1991, an active member may purchase service rendered outside the state during a period of employment with an education coordinating council.
9. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.

PURCHASE OF OVERSEAS SERVICE

DEFINITION

Overseas service means service rendered in an American-type overseas school sponsored and approved by either the United States Department of State or the Department of Defense.

POLICIES

1. In order to purchase overseas service, such service must be for a minimum of 120 working days in a fiscal year. In computing the cost to purchase overseas service, both employee and employer costs must be paid on the salary earned in the overseas school. This total cost may be paid by the member or by a combination of the member and his employer. If contributions were not paid to the system promptly, regular interest shall be added to the delayed contributions from the date of service to the date of payment in full.
2. A year of overseas service shall be for a minimum of 120 days. Twenty days shall be considered a month. The maximum overseas service which may be credited to a member is ten years.
3. Salaries for purchased overseas service will be recorded for the years being purchased. If these salaries are among the highest five salaries, they may be used in the computation of retirement benefits.
4. Purchased overseas service shall be credited to the year in which it was rendered.
5. Effective July 1, 1986, all purchased overseas service shall be counted as contributory service and benefits based on this service shall be computed as contributory service.
6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

7. If a member does not purchase, or is not eligible to purchase, all of his overseas service, he must purchase the remainder in inverse order.

SABBATICAL LEAVE

DEFINITION

"Sabbatical leave" means leave of absence from a school from and after June 28, 1985, in order to obtain an advanced degree at an institution of higher learning, or to fulfill the requirements of a scholarship or grant.

POLICIES

1. In order to purchase sabbatical leave service such service must be for a minimum of 120 working days in a fiscal year. In computing the cost to purchase sabbatical leave service, the highest annual salary earned at the time of purchase and the total of the member and employer contributions in effect during that fiscal year, plus regular interest from the beginning of the fiscal year in which the leave is taken until payment is made in full, will be used.
2. A year of sabbatical leave service shall be for a minimum of 120 days. Twenty days shall be considered a month.
3. Purchased sabbatical leave service shall be credited to the year in which it was rendered.
4. If a member does not purchase, or is not eligible to purchase, all of his sabbatical leave service, he must purchase the remainder in inverse order.
5. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

PURCHASE OF PRIVATE SCHOOL SERVICE

Definition

Private school service means service rendered in any private school or agency which is recognized by the State Department of Education for the issuance of teaching certificates.

Policies

1. From and after January 1, 1990, an active member may contract with the Board for the purchase of private school service under the following conditions:
 - a) Service credit shall be limited to service for which no benefit could be paid by another system similar in purpose to this system, except social security, if the member left on deposit his contributions to that system.
 - b) Service credit shall be limited to three (3) years.
2. The member shall pay to the system for each year of service credit being granted nineteen and one-half percent (19.5%) of the annual salary received by him for his first full year of state teaching service, together with regular annual interest from the end of that year of state teaching service to the date of payment. If the payment is not made in a single sum at the time the contract is made, regular interest shall be added from the date of the contract to the date of payment. The payment shall be credited to the member's account in the member's deposit account and shall be in addition to regular member contributions thereto.
3. The private school service shall not become credited service under this system until :
 - a) The member payments have been paid in full; and
 - b) The member has established ten (10) or more years of credited service exclusive of private school service. Should a member cease to be an active member before the private school service has been established as system credited service, the member payments contributed shall be refundable, together with regular interest thereon.
4. An active member who had both public and private school service in one (1) school year may contract with the Board for one (1) year of service to be credited as service, if the service meets the following additional requirements:
 - a) The combination of public and private school service rendered in the fiscal school year was not fewer than one hundred twenty (120) days; and

b) The person had not less than thirty (30) days of private school teaching service in the school year and not less than thirty (30) days public teaching service in the fiscal school year.

5. A year of private school service shall be for a minimum of one hundred twenty (120) days, except as outlined in #4 above. Twenty (20) days shall be considered a month.
6. All private school service shall be counted as contributory service.
7. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

8. If a member does not purchase, or is not eligible to purchase all of his private school service, he must purchase the remainder in inverse order.

RETIRANTS RETURN TO SERVICE

Rescission of Retirement (Act 39 of 1989)

DEFINITION

A retirant under Arkansas Code 24-7-201 through Arkansas Code 24-7-713, and any amendments thereto, who has not attained age seventy-two (72) may rescind his decision to terminate active membership and may become an active member upon reemployment.

POLICIES

1. A retirant rescinding his decision to terminate active membership shall file a written rescission on a form furnished by the Board.
2.
 - a) For any school year in which a retirant takes a position in a public school, the rescission form shall be filed with the Teacher Retirement System office on or before June 30 of the previous year.
 - b) Should a retirant fail to meet the deadline set out in 2(a), the school district may file an appeal for a waiver of the required filing date.
3. The rescission shall become effective the first day of the calendar month next following the date the written rescission is received by the Board.
4. Any annuity benefit formerly due from the System shall be terminated upon the effective date of the rescission.
5. Upon rescission, the former retirant shall be considered an active member who shall accrue additional credited service subject to the following conditions:
 - a) If reemployment terminates before the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, the former retirant shall become a retired member and the payment of annuity shall resume upon such termination. The former retirant shall be entitled to receive any member contributions which may have been made during the reemployment period.
 - b) If reemployment terminates after the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, upon termination of reemployment, the former retirant shall become a retired member and receive an annuity which has been recalculated according to the benefit formula in effect at the time of such termination of reemployment.
6. Effective July 1, 1993, if a retirant has previously rescinded his decision to terminate active membership and become an active member by reemployment, but after becoming a retirant and before rescinding had

been employed in a position covered by the System, as an active member he shall be eligible to purchase such previous service by:

- a) Fulfilling the requirements set out in Sec. 24-7-717(e)(2);
- b) Returning to the System all retirement benefits received during such employment, together with regular interest from the date of receipt of such payments to the date of repayment in full; and
- c) Paying to the System both member and employer contributions for the previous service rendered after becoming a retirant but before rescinding, plus regular interest from the date of reemployment to the date of payment in full.

Conditions Under Which A Retirant May Return To Teaching Or Other Employment Other than By Rescinding His Retirement Under Act 39 of 1989

AGE AND SERVICE RETIRANT:

1. If a retirant returns to service without rescinding his retirement under Act 39 of 1989, benefits may continue to be paid up to certain limits. The amount a retirant may earn and still collect full benefits depends upon whether he is age 65 to 69 or under age 65.
 - a) Effective July 1, 1992, a retirant who is age 65 to 69 may earn up to twice the Social Security earnings limitation amount without affecting his ATRS benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$3 earned above the earnings limitation amount.
 - b) Effective July 1, 1992, a retirant who is under age 65 may earn up to twice the Social Security earnings limitation amount without affecting his ATRS benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$2 earned above the earnings limitation amount.
 - c) Employers will report quarterly all retirants who have returned to full- or part-time employment in an ATRS covered position, and who have not rescinded their retirement. The reporting form will be furnished by ATRS.
 - d) Unless the system is directed otherwise in writing, the benefits of those retirants exceeding the earnings limitations will be reduced in the proper amount in the fiscal year following the fiscal year in which the earnings limitation is exceeded. A retirant may direct ATRS to reduce benefits within the same fiscal year the earnings limitation is expected to be exceeded.
- 2) In the event that both the employee and his employer fail to notify the Teacher Retirement System of a retiree's return to service and benefits are paid illegally due to such lack of notice, the Teacher Retirement System shall delay restoration of benefits until all funds paid illegally have been recovered either through direct payment by the retiree or through delay in restoration of benefits by the System.

- 3) Effective July 1, 1991, an age and service retiree may be employed by a private employer or in a position covered by a state-supported retirement system other than the Teacher Retirement System without any effect on his annuity.
- 4) During any period of employment not covered by Act 39 of 1989, an age and service retiree shall not accrue additional service credit, nor shall he contribute to the Arkansas Teacher Retirement System.

DISABILITY RETIRANT:

Under the provisions of the Teacher Retirement law a disability retiree is permitted, should he regain his health and should he be employed under contract in a position covered by the Arkansas Teacher Retirement System to establish a year or more of service credit and have his benefits recomputed at a time of retirement either on age and service or disability as the case might be.

1. Disability Retiree Employed Full-Time

When a disability retiree is employed under contract in a position covered by the Teacher Retirement System as a full-time employee in a regular or special position on a fiscal year basis, the Teacher Retirement System is required to remove him from the disability payroll. It is the responsibility of the employing agency to report such employment to the retirement office immediately. Unless the retiree was a member of the non-contributory plan, it is also the responsibility of the employing agency to withhold 6% of applicable salary. If the retiree completes a minimum of 120 days or more during a fiscal year in Arkansas, thus adding a year's service credit, he can then again make application for disability or age and service retirement and his benefits will be recomputed based on the additional year or years of service credit. A disability retiree shall not be permitted to establish service credit when employed in a part-time position.

2. Disability Retiree Employed Part-Time

A disability retiree employed part-time will be subject to the same earnings limitation policy as age and service retirees.

RECIPROCITY
(Act 611 of 1975)

DEFINITIONS

1. Reciprocal System means the Teacher Retirement System of Arkansas in operation June 30, 1957, and continued by Act 93 of 1957, as amended; or the Arkansas State Highway Employees Retirement System, established by Act 454 of 1949, as amended; or the Arkansas Public Employees Retirement System established by Act 177 of 1957, as amended or the Arkansas State Police Retirement System established by Act 311 of 1951, as amended.
2. State Employer means the public employer whose employees are covered under the Teacher Retirement System of Arkansas; or the public employer whose employees are covered under the Arkansas State Employees Retirement System, or the public employer whose employees are covered under the Arkansas Public Employees Retirement System, or the public employer whose employees are covered by the Arkansas State Police Retirement System.

SUMMARY OF RECIPROCAL SERVICE ACT 611 OF 1975

If a member leaves the employ of a State employer whose position is covered by any of these four (4) retirement systems and enters the employ of another State employer whose position is covered by any of these four (4) retirement systems, he shall be entitled to a deferred annuity payable from the preceding system subject to the following conditions:

1. Age & Service

- a) He has credited service acquired in the employ of the preceding State employer.
- b) He does not withdraw his contributions, or if he has withdrawn, he repays the amount withdrawn, plus interest, while he is an active member of a reciprocal system.
- c) He qualifies for age and service retirement in the succeeding reciprocal system by using his credited service in force with the preceding reciprocal system plus his credited service acquired in the employ of the succeeding State employer to meet the minimum service requirements of the succeeding system. This would also qualify him for benefits in the preceding system.
- d) His deferred annuity payable by the preceding reciprocal system shall be determined by the annuity formula in effect at the time of retirement in the preceding system, exclusive of any minimum amounts.
- e) If the Teacher Retirement System is the preceding system, his annuity begins the first day of the month next following the month he filed his application or after his attainment of age 60 years, whichever is later. However, should he have combined service of at least 25 years, the age limitation shall not apply. In no case

shall his deferred annuity begin prior to the date he retires from the employ of his last state employer.

2. Disability

- a) If he has ten (10) or more years of combined creditable service in two (2) or more reciprocal systems, he is eligible to apply for disability benefits from each reciprocal system in which he has credited service.
- b) Eligibility for disability benefits is determined under the rules and regulations of each respective system.
- c) He shall be eligible for a refund of his accumulated contributions plus interest, if any, from any reciprocal system in which he does not qualify for disability benefits. Such refund shall not alter his eligibility for benefits from any other reciprocal system.
- d) His annuity for disability retirement payable by the preceding reciprocal system shall begin the first day of the calendar month next following the month he filed his application for same with the preceding system, but not prior to the date he leaves the employ of his last State employer.

POLICIES

1. A person who leaves a position covered by the Teacher Retirement System and is employed by a reciprocal system and files a reciprocal service agreement become a deferred (inactive) member and is entitled to the benefit formula in effect at the time of retirement, exclusive of any minimum amounts.
2. The final average compensation used in computing benefits payable by the preceding system shall be that of the reciprocal system furnishing the highest final average salary at the time of retirement. To determine the final average salary, only service credit and salaries earned in a system will be used, even if the service does not total five years.
3. The provisions of policy number 2 shall not be applicable to a person who elects to contribute on a maximum salary of \$7,800 unless he shall have changed to full salary and shall have paid the difference between 6% of 7,800 and 6% of full salary retroactive to July 1, 1969.
4. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system until the member has ceased to be in the employ of a State employer.
5. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system earlier than age 60 unless he has 25 or more years of combined service.

6. No minimum benefits apply under Act 488 as amended for reciprocal service unless the Teacher Retirement System is the succeeding system and the member has 10 or more years of credited service in the Teacher Retirement System.
7. If the death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive more as a percent of the deceased member's final pay or as a minimum dollar amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with other reciprocal systems that have a minimum benefit provision in their plans. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratio of such service in such system to the total service in all reciprocal systems.
8. If an employee of the Department of Human Services who becomes a member of the Public Employee's Retirement System under the provisions of Act 793 of 1977 as amended leaves employment with the Department of Human Services and becomes employed in another position covered by the Teacher Retirement System, his benefits for service, both before and after his service under Act 793, shall be subject to the benefit provisions of the Teacher Retirement law. Such member shall be eligible to establish reciprocity under the provisions of Act 488 of 1965 as amended.
9. If a member has reciprocal service during the same fiscal year with both the Teacher Retirement System and the Public Employees Retirement System and if, under the two systems' methods of credited service, the combined service amounts to more than one full year of service credit, the ATRS will credit service as follows:
 - a) If credit by PERS is less than three (3) months, ATRS will credit service for the full year.
 - b) If credit by PERS is three (3) or more months but less than six (6) months, ATRS will credit service for three-fourths (3/4) year.
 - c) If credit by PERS is six (6) or more months but less than nine (9) months, ATRS will credit service for one-half (1/2) year.
 - d) If credit by PERS is for nine (9) months but less twelve (12) months, ATRS will credit service for one-fourth (1/4) year.
10. A member who has established reciprocity with the Teacher Retirement System as the succeeding system and has at least ten (10) years of service credit with the Teacher Retirement System will be eligible for the minimum amounts for retirement benefits. He or she will not receive less than \$1,800 per year (contributory option) or \$1,128 (non-contributory option) or a proration of the two.
11. Effective January 1, 1988, all purchases and payment shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

12. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.
13. Effective July 1, 1993, for a ninety- (90) day period, employees of the Arkansas Rehabilitation Services may transfer from the Public Employees Retirement System to the Teacher Retirement System. Any employee making the change will establish reciprocity between the two systems and Act 793 shall no longer apply.

PART I

COLLEGE ALTERNATE
(ACT 436 OF 1967)DEFINITIONS

1. "Staff Member" means both teachers and administrative officers eligible for membership in the Teacher Retirement System.
2. "Alternate Retirement Plan" means a retirement plan based on purchase of contracts providing retirement and death benefits for teachers and administrative officers.
3. Any staff member employed after the establishment of the Alternate Retirement Plan shall participate in such plan or in the Teacher Retirement Plan.
4. Any staff member employed prior to July 1, 1969, who is a member of the Teacher Retirement System shall continue such membership or shall participate in the Alternate Plan.
5. Eligibility to participate in the Alternate Retirement Plan is as follows, except that on or after July 1, 1993, until December 31, 1993, any staff member employed or appointed by a college or university who has less than ten (10) years of member service in the retirement system and who has not already so elected, may elect to terminate his membership in the retirement system and participate in the alternate retirement plan established by the employing college or university:
 - a) An employee of a State supported institution of higher learning covered by the Arkansas Teacher Retirement System who is a compulsory member of the System may elect, within one year from the date of his employment, to participate in the Alternate Retirement Plan of the institution. Such election shall be in writing and filed with the Teacher Retirement System and the institution. All accumulated contributions made by the member shall be refunded.
 - b) Any staff member who does not make the election within one year after he becomes eligible must remain a member of the Teacher Retirement System until such time as he completes 10 years of membership service. At that time, he again becomes eligible to elect to participate in the Alternate Plan. He may leave his contributions in the System or he may withdraw. Such election shall be in writing and filed with (1) TRS and (2) the college. If the member chooses to leave contributions in the System, the effective date of such elections shall be the July 1 next following the date the election is filed.
6. Any staff member with 10 or more years who elects or has elected to participate in the Alternate Plan and has left his contributions in the Teacher Retirement System shall qualify for vested annuity on or after attaining age 60 as determined by the benefit formula in effect at the

time of retirement, subject to earnings limitations as provided by the law.

POLICIES

1. Service for the year in which a member changes to the College Alternate Retirement Plan will be adjusted by Data Processing of Teacher Retirement as follows:

Service Reported D-2A for such year	Service Credit Allowed by TRS	Converted to Computer Days
0 - 44 days	0 year	0 - 29 days
45 - 89 days	1/4 year	30 - 59 days
90 - 134 days	1/2 year	60 - 89 days
135 - 179 days	3/4 year	90 - 119 days
180 - days	1 year	120 - days

2. After a person makes the election to participate in the College Alternate Plan, he may not again become an active participant in the Teacher Retirement System unless he becomes employed in a position covered by the System, but not covered by the College Alternate Plan.
3. Benefits for a deferred, inactive member who is participating in the College Alternate Retirement Plan can become effective the first of the month after he files his Application for Teacher Retirement Annuity form, provided:
 - a) He has attained age 60
 - b) He has terminated employment in a covered position.

PART II

COLLEGE ALTERNATE
(Act 1075 of 1975)DEFINITIONS

1. Act 1075 of 1975 is an act to amend Act 512 of 1971 and Act 9 of 1971 to permit an option regarding participation in retirement plans; and for other purposes.
2. Legislative Acts 521 and 9 of 1971 provided that those employees of the University of Arkansas at Pine Bluff (Arkansas AM&N College at Pine Bluff) and the University of Arkansas at Monticello (Arkansas AM&N College at Monticello) who continued in employment at the University of Arkansas after the appropriate merger dates would continue in certain retirement plans.
3. An employee of the University of Arkansas at Pine Bluff prior to July 1, 1972 who had continued his employment without interruption since that date shall have the option to elect to participate in the Alternate Retirement Plan on or before July 1, 1976.
4. An employee of the University of Arkansas at Monticello prior to July 1, 1971 who had continued his employment without interruption since that date shall have the option to elect to participate in the Alternate Retirement Plan on or before July 1, 1976.
5. Such election to participate in the Alternate Retirement Plan shall be subject to the following:
 - a) An employee with less than 10 years of membership service may elect to participate in the Alternate Plan. A refund of contributions is mandatory.
 - b) An employee with 10 or more years of membership service may elect to participate in the Alternate Plan and:
 - 1) Freeze his Teacher Retirement contributions. If the member chooses deferred retirement, the effective date of such election shall be the July 1 next following the date the election is filed.
 - 2) Receive a refund of all contributions.
 - c) If an employee with 10 or more years elects to participate in the Alternate Retirement Plan and leaves his contributions in the Teacher Retirement System, he will qualify for a deferred (vested) annuity on or after attaining age 60 and after retirement from covered employment, to be determined by the formula in effect at the time of his retirement.
 - d) If an employee fails to make an election by July 1, 1976, he is frozen in the Teacher Retirement System until such time as he

again becomes eligible to make the election to transfer to the Alternate Plan and (1) freeze his contributions in TRS or (2) receive a refund of all contributions.

- e) Such election shall be in writing and filed with the Chief Fiscal Officer of the campus where the person is employed on or before July 1, 1976. Such Fiscal Officer shall then forward a copy of all elections to the Retirement System.
- f) Act 288 of 1981 amended Act 1075 to provide that a teacher or administrator at the University of Arkansas at Pine Bluff or the University of Arkansas at Monticello who has elected to participate in an alternate retirement plan must be retired from covered employment to qualify for Teacher Retirement benefits.

PART III

COLLEGE ALTERNATE
(Act 545 of 1983)

1. All persons except those who are eligible for membership in either the Teacher Retirement System or the College Alternate Plan under Act 436 of 1967, employed by Arkansas State University; Arkansas State University, Beebe; the University of Central Arkansas; Henderson University; Southern Arkansas University, El Dorado; Southern Arkansas University, Technical Branch, Camden; or a state supported community college on or after March 19, 1983, shall be members of the Public Employees Retirement System unless, at the time of employment, they are already member of the Teacher Retirement System due to previous employment with an employer covered by said Teacher Retirement System.
2. All non-teaching employees of the above named institutions who were members on March 19, 1983, of the Teacher Retirement System have the option of remaining members of the Teacher Retirement System or terminating membership in that system and enrolling in the Public Employees Retirement System, provided that election to change was made on or before July 30, 1986.
3. Employees of the above named institutions who were employed before March 19, 1983 and who were not members of a state retirement system on or before March 19, 1983, may become members of the Teacher Retirement System after March 19, 1983. The Teacher Retirement System will not credit back service with the above named institutions to persons who are not active members of the Teacher Retirement System.

ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM
(Act 1244 of 1991)

DEFINITIONS

1. "Community college" means an institution of higher education established or to be established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, college transfer courses, and courses in general adult education.
2. "Branch campus of a community college" means an institution with facilities located apart from the community college campus but within the community college district.
3. "Satellite college" means an institution located within a service area of a technical or community college but not located within a community college district.
4. "Technical college" means an institution of higher education established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, courses in general adult education and courses comparable in content and quality to freshman and sophomore courses which may carry transfer credit to a four-year institution in a chosen course of study.

POLICIES

1. Effective July 1, 1991, the following institutions are designated as technical colleges and become part of the Arkansas Technical and Community College System under the coordination of the State Board of Education:
 - a) Black River Vocational Technical College, Pocahontas
 - b) Cossatot Vocational Technical College, De Queen
 - c) Gateway Vocational Technical College, Batesville
 - d) Mid-South Vocational Technical College, West Memphis
 - e) Oil Belt Vocational Technical College, El Dorado
 - f) Ozarka Vocational Technical College, Melbourne
 - g) Petit Jean Vocational Technical College, Morrilton
 - h) Pines Vocational Technical College, Pine Bluff
 - i) Pulaski Vocational Technical College, North Little Rock
 - j) Red River Vocational Technical College, Hope
 - k) Twin Lakes Vocational Technical College, Harrison
2. As provided in Act 1244 of 1991 or upon approval of the State Board of Vocational Education, the board of trustees of the receiving institution, The State Board of Higher Education and the North Central Association - Commission on Institutions of Higher Education thereafter, a state-supported vocational-technical institution may be consolidated with a four-year institution or a two-year branch campus of a four-year institution.

3. Following approval by the North Central Association - Commission on Institutions of Higher Education, and upon approval of the board of trustees of the receiving institution, the following state-supported vocational-technical institutions and four-year institutions or two-year branch campuses of a four-year institution shall be consolidated: White River Vocational Technical School with Arkansas State University - Beebe Campus.
4. Except as provided below, effective July 1, 1991, the Mountain Home Education Center (postsecondary only) (Baxter County) shall be designated as a technical college. However, the advisory board of the Mountain Home Education Center (Baxter County) may, by resolution prior to July 1, 1991, elect not be a technical college.
5. If approved by majority vote of the qualified electors of Boone County voting in a special election before July 1, 1991, then effective July 1, 1991, Twin Lakes Technical College shall become a candidate for merger with North Arkansas Community College. However, if the voters of Boone County do not approve the measure, then Twin Lakes Technical College shall continue to be a technical college.
6. All employees who are employed by state-supported postsecondary vocational-technical schools converting to an institution under the Technical and Community College System or those employees of a two-year branch campus of a four-year institution converting to a technical or community college, shall become employees of the technical or community college, branch campus of the community college or satellite campus of the community college and shall continue their terms of employment and shall have all rights and benefits of employment, including retirement benefits, that they had when employed by the state-supported postsecondary vocational-technical schools or by the two-year branch campus of the four-year institution.
7. Each instructor and administrative staff member of a state-supported postsecondary vocational-technical school employed on July 1, 1991, shall within ninety (90) days following the transfer to the Technical and Community College System or upon transfer to the system with the approval of the board, elect either to continue membership in the retirement plan in which he or she was enrolled prior to that date or transfer to the Teacher Retirement System or any alternate retirement plan currently established for the institution into which it is being merged or consolidated. Once such election is made, the election is irrevocable during the tenure of employment with the system.
8. Each instructor and administrative staff member of a two-year campus of a four-year institution which is later converted to a technical college or community college shall within ninety (90) days following the appointment of the local board elect either to continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.

VOCATIONAL EDUCATION ALTERNATE PLAN
(Act 480 of 1983)

DEFINITION

"Alternate Retirement Plan" means a retirement plan based on the purchase of contracts providing retirement and death benefits for instructors and administrative staff of the post-secondary vocational technical school of the State of Arkansas and the staff of the Vocational and Technical Education Division and which has been approved by the board.

"School" means any post-secondary vocational technical school established pursuant to Section 3 of Act 328 of 1957 for the vocational training of students.

"Board" means the State Board of Vocational Education.

"Staff members" means both instructors and administrative staff of a post-secondary vocational technical school and the staff of the Vocational and Technical Education Division who are eligible for membership in the Retirement System.

"Division" means the Vocational and Technical Education Division, Arkansas Department of Education.

"Director" means the Director, Vocational and Technical Education Division, Arkansas Department of Education.

POLICIES

1. On or after July 1, 1983, the Board may establish and maintain an Alternate Retirement Plan which shall authorize the purchase of contracts providing retirement and death benefits for staff members. Under such plan, staff members shall contribute, to the extent authorized or required, toward the purchase of such contracts which shall be issued to and become the property of, the participants. This Alternate Retirement Plan shall be administered by the Board pursuant to a written Alternate Retirement Plan document, which shall be formally adopted by the Board prior to the establishment of the Alternate Retirement Plan.
2. All staff members shall participate in either the Retirement System or an Alternate Plan or both, but participation in both shall be limited to the circumstances described in number 3 below.
3. Any staff member who has become fully vested in the Retirement system may elect to discontinue contributing to the Retirement System, thus becoming an "inactive member," and participate instead in an Alternate Retirement Plan. Such election shall be in writing and shall be filed with both the Retirement System and the Director within 90 days after establishment of the Alternate Retirement Plan and prior to the staff member's participation in an Alternate Retirement Plan. Under such circumstances, the staff member would be both an "inactive member" of

the Retirement System and an "active member" of the Alternate Retirement Plan.

4. Any staff member who has become fully vested in the Retirement System may elect to participate in an Alternate Retirement Plan and receive all accumulated contributions to the credit of such staff member in the member's deposit account and have such member's credited service under the Retirement System cancelled.
5. Notwithstanding the foregoing provisions, any staff member who has participated in the Retirement System for a period which is insufficient to allow for full vesting of that staff member's Retirement system benefits may elect to (1) continue as an "active member" in the Retirement System, (2) discontinue membership in the Retirement System and transfer from the Retirement System into his or her account with the alternate Retirement Plan; i.e., roll over all contributions which the staff member has previously made to the Retirement System, or (3) participate in the Alternate Retirement Plan and receive all accumulated contributions to the credit of such staff member in the member's deposit account. A refund cancels such member's credited service under the Teacher Retirement System.
6. No staff member may participate in an Alternate Retirement Plan without giving prior written notice of his or her election to participate in the Alternate Retirement Plan. Such notice of election shall be made within 90 days of the date on which the Alternate Retirement Plan goes into effect, provided such election was made by September 1, 1985, or, for new staff members, 90 days after the staff member's date of employment. Such notice of election shall be in writing on a form established by the Division and filed with both the Director and the Retirement System.
7. No staff member who elects to change from participation in the Teacher Retirement System to participation in the Alternate Retirement Plan, but continues employment in a position covered by the Retirement System, shall receive a year's service credit for less than a full year of contributions. The provision for crediting a year's service credit for only 120 days work is applicable only to members whose employment is terminated during a fiscal year.
8. Service for the year in which a member changed to the Vocational Education Alternate Retirement Plan will be adjusted by Data Processing of Teacher Retirement as follows:

Service Reported on D-2A for Such Year	Service Credit Allowed by TRS	Converted to Computer Days
0 - 44 days	0 year	0 - 29 days
45 - 89 days	1/4 year	30 - 59 days
90 - 134 days	1/2 year	60 - 89 days
135 - 179 days	3/4 year	90 - 119 days
180 - days	1 year	120 - days

9. Effective July 1, 1993, staff members who elect under Act 480 of 1983 to participate in an alternate retirement plan may elect to become members

of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 1993, and notice of the election shall be made in writing to the Director and the retirement system by December 31, 1993.

10. Service for the year in which a member changed to the retirement system shall be credited as follows:

Transfer made to TRS

Credit received in TRS

7-1-93	120 days
8-1-93	120 days
9-1-93	90 days
10-1-93	90 days
11-1-93	60 days
12-1-93	60 days

ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM
(Act 1244 of 1991)

DEFINITIONS

1. "Community college" means an institution of higher education established or to be established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, college transfer courses, and courses in general adult education.
2. "Branch campus of a community college" means an institution with facilities located apart from the community college campus but within the community college district.
3. "Satellite college" means an institution located within a service area of a technical or community college but not located within a community college district.
4. "Technical college" means an institution of higher education established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, courses in general adult education and courses comparable in content and quality to freshman and sophomore courses which may carry transfer credit to a four-year institution in a chosen course of study.

POLICIES

1. Effective July 1, 1991, the following institutions are designated as technical colleges and become part of the Arkansas Technical and Community College System under the coordination of the State Board of Education:
 - a) Black River Vocational Technical College, Pocahontas
 - b) Cossatot Vocational Technical College, De Queen
 - c) Gateway Vocational Technical College, Batesville
 - d) Mid-South Vocational Technical College, West Memphis
 - e) Oil Belt Vocational Technical College, El Dorado
 - f) Ozarka Vocational Technical College, Melbourne
 - g) Petit Jean Vocational Technical College, Morrilton
 - h) Pines Vocational Technical College, Pine Bluff
 - i) Pulaski Vocational Technical College, North Little Rock
 - j) Red River Vocational Technical College, Hope
 - k) Twin Lakes Vocational Technical College, Harrison
2. As provided in Act 1244 of 1991 or upon approval of the State Board of Vocational Education, the board of trustees of the receiving institution, The State Board of Higher Education and the North Central Association - Commission on Institutions of Higher Education thereafter, a state-supported vocational-technical institution may be consolidated with a four-year institution or a two-year branch campus of a four-year institution.

3. Following approval by the North Central Association - Commission on Institutions of Higher Education, and upon approval of the board of trustees of the receiving institution, the following state-supported vocational-technical institutions and four-year institutions or two-year branch campuses of a four-year institution shall be consolidated: White River Vocational Technical School with Arkansas State University - Beebe Campus.
4. Except as provided below, effective July 1, 1991, the Mountain Home Education Center (postsecondary only) (Baxter County) shall be designated as a technical college. However, the advisory board of the Mountain Home Education Center (Baxter County) may, by resolution prior to July 1, 1991, elect not be a technical college.
5. If approved by majority vote of the qualified electors of Boone County voting in a special election before July 1, 1991, then effective July 1, 1991, Twin Lakes Technical College shall become a candidate for merger with North Arkansas Community College. However, if the voters of Boone County do not approve the measure, then Twin Lakes Technical College shall continue to be a technical college.
6. All employees who are employed by state-supported postsecondary vocational-technical schools converting to an institution under the Technical and Community College System or those employees of a two-year branch campus of a four-year institution converting to a technical or community college, shall become employees of the technical or community college, branch campus of the community college or satellite campus of the community college and shall continue their terms of employment and shall have all rights and benefits of employment, including retirement benefits, that they had when employed by the state-supported postsecondary vocational-technical schools or by the two-year branch campus of the four-year institution.
7. Each instructor and administrative staff member of a state-supported postsecondary vocational-technical school employed on July 1, 1991, shall within ninety (90) days following the transfer to the Technical and Community College System or upon transfer to the system with the approval of the board, elect either to continue membership in the retirement plan in which he or she was enrolled prior to that date or transfer to the Teacher Retirement System or any alternate retirement plan currently established for the institution into which it is being merged or consolidated. Once such election is made, the election is irrevocable during the tenure of employment with the system.
8. Each instructor and administrative staff member of a two-year campus of a four-year institution which is later converted to a technical college or community college shall within ninety (90) days following the appointment of the local board elect either to continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.

ACT 793 of 1977

DEFINITION

Employees of the Department of Human Services who are members of the Teacher Retirement System and have met the requirements of Section 3.02b of Act 793 of 1977 by making contributions to the System based on full salary since July 1, 1969 or since initial enrollment in membership of the Teacher Retirement System, if later than July 1, 1969, are eligible to elect coverage under the non-contributory benefit provisions of Act 793 of 1977, provided such election is made on or before June 30, 1991.

POLICIES

1. Employees of the Department of Human Services who have elected coverage under Act 793 will qualify for benefits under the Act 793 formula for all their years of credited service, including service as a member of the Teacher Retirement System.
2. The effective date of transfer of active membership from the Teacher Retirement System to the Public Employees Retirement System shall be January 1, 1978.
3. For employees who elect coverage under Act 793, the Teacher Retirement System will refund both employee and employer contributions based on service after January 1, 1978.
4. In computing its liability for benefits for employees of the Department of Human Services retiring under the provisions of Act 793, the Teacher Retirement System will allow one-half (1/2) year of credited service for the 1977-78 fiscal year (July 1, 1977 - December 31, 1977).
5. The Teacher Retirement System will be liable for funding of benefits for credited service established with the System prior to January 1, 1978. When a member of the Public Employees Retirement System who has credited service with the Teacher Retirement System retires from employment with the Department of Human Services under the provisions of Act 793, the Teacher Retirement System's liability for his benefits will be computed:
 - a) By using the retiring member's final average salary at the time of retirement as defined by Act 793 and certified by the Public Employees Retirement System.
 - b) By using the Teacher Retirement System benefit provisions in effect January 1, 1978, to compute his monthly annuity guaranteed by Teacher Retirement.
 - c) On and after January 1, 1993, for benefit amounts based upon employment before January 1, 1978, Division of Rehabilitation Services employees who are still active employees on January 1, 1993, shall have benefits computed in accordance with current benefit provisions in effect for the Teacher Retirement System at the time of their retirement.

6. Monthly benefits will be paid in the name of the retired member to the Public Employees Retirement System, except that on and after August 13, 1993, Arkansas Public Employees Retirement System shall certify monthly the total amount of benefits paid and the Teacher Retirement System shall immediately transfer such amount from its benefit account to the proper account designated by the Arkansas Public Employees Retirement System.
7. Employees of the Department of Human Services who have elected coverage under Act 793 are eligible to establish reciprocity between the Teacher Retirement System and the Public Employees Retirement System and repay a refund or establish prior service. (Attorney General's Opinion #84-154).
8. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.

ERRONEOUS MEMBERSHIP

DEFINITIONS

1. "Erroneous Membership" means an employee was enrolled in a State retirement system in which he was not eligible for membership and both employee and employer contributions have been accepted by the "System of Record."
2. "Retirement System of Record" means the system that holds an erroneous membership.
3. "Eligible retirement system" means the retirement system in which the employee is eligible for membership.
4. "Employer" means an employing state agency or employing school district.

POLICIES

1. Employees erroneously enrolled in a state retirement system on or after January 1, 1979, may elect to remain a member of the system of record or may become a member of the eligible retirement system.
2. With the exception of erroneously enrolled persons who choose to remain in the system of record, the Teacher Retirement System will notify all employers that the following persons should be enrolled in the Teacher Retirement System:
 - a) Any person employed by a school for the purpose of giving instruction and whose employment requires state certification.
 - b) Any other person first employed by a school on or after July 1, 1989, in a regular or special position.
 - c) Any person first employed on or after July 1, 1989, by any of the following organizations or agencies:

State School for the Blind; State School for the Deaf; Arkansas Activities Association; a local school board; Chief County School Officers; State Board of Education; Regional Educational Cooperatives; the State Surplus Property Program; the Teacher Retirement System; Arkansas Rehabilitation Service; the Division of Rehabilitation Services for the Blind.
 - d) Any person employed in a position with an area Vocational Technical School, except those employees who have elected to participate in an Alternate Retirement Plan established by Act 480 of 1983; or the Arkansas Educational Television Commission.

- e) Any person employed in a covered position with a technical college, except those employees who elect under Act 1244 of 1991 to remain in the retirement plan in which he or she was enrolled prior to July 1, 1991, or any alternate retirement plan currently established.
 - f) Any person employed in a position with the Arkansas Rehabilitation Services for the Blind or the Youth Services Division, except those employees who have elected coverage under Act 793 of 1977; provided, however, that any employee hired by Youth Services after July 1, 1977, is ineligible for membership in the Teacher Retirement System (Attorney General's opinion #77-249).
3. After July 1, 1979, the Teacher Retirement System will make no further effort to correct the retirement system membership of persons who were erroneously enrolled in another state retirement system before January 1, 1979. The Teacher Retirement System will not accept as members persons who were erroneously enrolled in another state retirement system before January 1, 1979, unless that person's contributions were refunded prior to July 1, 1979.
 4. If an employee was erroneously enrolled in the Teacher Retirement System before January 1, 1979, and if his contributions were not refunded prior to July 1, 1979, he shall continue to be a member of the Teacher Retirement System. He shall receive service credit for all paid membership service in the System and any free service which is creditable under Act 427 of 1973 as amended. He shall also be entitled to reciprocal service credit as provided by Act 488 of 1965 as amended.
 5. If it is discovered by the Teacher Retirement System that an employee became erroneously enrolled in a state retirement system on or after January 1, 1979, the Teacher Retirement System will notify both the employer and employee that the membership is erroneous and that it may be corrected as prescribed by Act 13 of 1991.
 6. If a person who is employed before July 1, 1989, as a school janitor, bus driver or cafeteria worker is enrolled in the Public Employees Retirement System under the provision of Act 63 of 1965, and later is promoted to a position of school maintenance worker or supervisor, bus mechanic or transportation supervisor, or cafeteria manager, respectively, he shall continue to be a member of the Public Employees Retirement System as long as he is employed in one of these respective capacities.
 7. If it is discovered by the Teacher Retirement System that an employee became erroneously enrolled in a state retirement system on and after January 1, 1979, the Teacher Retirement System will notify both the employer and employee that the membership is erroneous and that it should be corrected as prescribed by A.C.A. 24-2-304.

QUALIFIED DOMESTIC RELATIONS ORDERS
FOR ACTIVE MEMBERS
(Act 1143 of 1993)

DEFINITIONS

"Alternate payee" means a spouse, former spouse, child or other dependent of a participant under Arkansas law.

POLICIES

- 1 Qualified domestic relations orders issued by a chancery court of the State of Arkansas and which apply to a participant of the Teacher Retirement System (retirement plan) shall be accepted by the system, subject to the following restrictions:
 - (a) Benefits to the alternate payee shall begin when the participant retires, or ceases employment in a covered position and receives a refund of contributions.
 - (b) participants receiving disability benefits, as defined in Section 24-7-704 of the Arkansas Code of 1987, Annotated, from the retirement plan shall not be subject to qualified domestic relations orders.
 - (c) Pursuant to Act 1143 of 1993, a model qualified domestic relations order is added as Addendum A to these policies. Any qualified domestic relation order issued by a chancery court must comply with the content of and substantially follow the form set out in the addendum.
 - (d) When a qualified domestic relations order is received by the retirement plan,
 - (1) the plan administrator shall promptly notify the participant and the alternate payee of the receipt of such order, and
 - (2) within a reasonable time after receipt of the order, determine whether the order is a qualified domestic relations order as set out in Addendum A to these policies and notify the participant and the alternate payee of such determination.
 - (e) Qualified domestic relations orders received prior to a participant's retirement or cessation of employment will be handled as set out in (d) above, but any amounts payable to the alternate payee will be held in the participant's account until due to be paid.
 - (f) Nothing contained in the qualified domestic relations order shall be construed to require the retirement plan to provide an alternate payee any type or form of benefit or option not otherwise available to the participant; to provide the alternate payee actuarial benefits not available to the participant; or to pay an benefits to the alternate payee which are required to be paid to another alternate payee under a previous qualified domestic relations order.
 - (g) Should the alternate payee die prior to the receipt of benefits under the qualified domestic relations order, the entire amount due the alternate payee shall revert to the participant.
 - (h) Should the participant die prior to retirement, the alternate payee shall receive the same percentage of the participant's

contributions, if any, as was awarded by the court in dividing the marital property. In no case shall be the alternate payee receive monthly benefits from the retirement plan.

- (i) Monthly benefits paid the alternate payee shall be computed on the benefit formula in effect at the time of the participant's retirement, but shall include only service credit earned by the participant during the marital relationship.
- (j) The retirement plan shall have the right to make any necessary correction to the monthly benefit amount paid both to the participant and the alternate payee and to recover from either, or both, any overpayments made.
- (k) If the alternate payee fails at any time to notify the retirement plan of any mailing address change, the retirement plan shall not be eligible for failure to make the payments as due.
- (l) Should the retirement plan determine that the alternate payee's monthly benefits are less than \$20.00, the participant shall be paid the total benefit due and shall be responsible for paying the alternate payee the amount due.
- (m) Qualified domestic relations order received by the retirement plan before the effective date of Act 1143 of 1993 may be honored but only if the participant or the alternate payee notifies the plan, and it is determined that the order is a qualified order as set out in Addendum A.

QUALIFIED DOMESTIC RELATIONS ORDERS
FOR RETIRED MEMBERS
(Act 1143 of 1993)

DEFINITIONS

"Alternate payee" means a spouse, former spouse, child or other dependent of a participant under Arkansas law.

POLICIES

1. Qualified domestic relations orders issued by a chancery court of the State of Arkansas and which apply to a participant of the Teacher Retirement System (retirement plan) shall be accepted by the system, subject to the following restrictions:
 - (a) Participants receiving disability benefits, as defined in Section 24-7-704 of the Arkansas Code of 1987, Annotated, from the retirement plan shall not be subject to qualified domestic relations orders.
 - (b) Pursuant to Act 1143 of 1993, a model qualified domestic relations order is added as Addendum A to these policies. Any qualified domestic relation order issued by a chancery court must comply with the content of and substantially follow the form set out in the addendum.
 - (c) When a qualified domestic relations order is received by the retirement plan,
 - (1) the plan administrator shall promptly notify the participant, and the alternate payee of the receipt of such order, and
 - (2) within a reasonable time after receipt of the order, determine whether the order is a qualified domestic relations order as set out in Addendum A to these policies and notify the participant and the alternate payee of such determination.
 - (d) Nothing contained in the qualified domestic relations order shall be construed to require the retirement plan to provide an alternate payee any type or form of benefit or option not otherwise available to the participant; to provide the alternate payee actuarial benefits not available to the participant; or to pay an benefits to the alternate payee which are required to be paid to another alternate payee under a previous qualified domestic relations order.
 - (e) Should the alternate payee die prior to the receipt of benefits under the qualified domestic relations order, the entire amount due the alternate payee shall revert to the participant.
 - (f) Should the participant die prior to retirement, the alternate payee shall receive the same percentage of the participant's contributions, if any, as was awarded by the court in dividing the marital property. In no case shall be the alternate payee receive monthly benefits from the retirement plan.
 - (g) The retirement plan shall have the right to make any necessary correction to the monthly benefit amount paid both to the participant and the alternate payee and to recover from either, or both, any overpayments made.

- (h) If the alternate payee fails at any time to notify the retirement plan of any mailing address change, the retirement plan shall not be liable for failure to make the payments as due.
- (i) Should the retirement plan determine that the alternate payee's monthly benefits are less than \$20.00, the participant shall be paid the total benefit due and shall be responsible for paying the alternate payee the amount due.
- (j) Qualified domestic relations order received by the retirement plan before the effective date of Act 1143 of 1993 may be honored but only if the participant or the alternate payee notifies the plan, and it is determined that the order is a qualified order as set out in Addendum A.
- (k) During any period while it is being determined if the order is a qualified domestic relations order, the plan administrator shall separately account for the amounts which would have been payable to the alternate payee during that time.

**POLICIES, RULES AND REGULATIONS
OF THE
ARKANSAS TEACHER RETIREMENT SYSTEM**

REVISED: February 10, 1994

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GENERAL PHILOSOPHY AND BELIEFS
of the Board of Trustees
of the Teacher Retirement System

1. The Board of Trustees is dedicated to the proposition that its paramount purpose is that of providing an adequate and equitable retirement plan for the members of the teaching profession; to protect this group in the event total and permanent disability causes them to become physically or mentally unable to continue employment in their profession; and to provide in part for their dependents in case of death before retirement.
2. We believe it is the duty of the board to fully support the educational program of the state and to participate in its activities.
3. We recognize the problems relating to reaching retirement age and offer counseling and information with reference to the personal account of the individual member.
4. The Board is charged with the responsibility of investing the funds of the System. The two more important factors in the investment policies are safety and yield. The yield is of first importance, provided such investments contain the necessary safeguards as are provided by law.
5. It is the duty of the Board to be fully informed of its financial liabilities not only to the retirants and beneficiaries on roll but also to recognize the vested rights of the active members of the teaching profession; to make these rights and liabilities known to the members of the state legislature, other state officials and the professional organizations who deal with the general educational programs.
6. We believe it is our responsibility to make known to all citizens interested in the total educational program the manner in which the funds of the system are invested and disbursed and that the control and budgeting of the funds be fully reported.
7. We feel we should exert every effort to aid in federal legislation that affects the welfare of the retired member, particularly in regard to equitable tax credit.
8. We believe that every effort should be made to be cognizant of the problems and solutions of such problems in the other state pension plans on the national and regional level and to use their experience in helping to solve such similar situations that face or will face the Arkansas system.

ARKANSAS TEACHER RETIREMENT SYSTEM

COMPOSITION

AUTHORITY

The authority and responsibility for the administration, management and control of the Retirement System, and for the construing and carrying out the provisions of the Plan is vested in the Board of Trustees by Act 427 of 1973.

MEMBERSHIP

Section 4 of Act 427 makes membership in the Teacher Retirement System a condition of employment in a position in the state. Membership in the Retirement System shall be an integral part of the contract or agreement entered into by a member and his Board or employing agency. As a condition of his employment in Arkansas teaching service, each member shall be deemed to consent and agree to abide by the rules and regulations from time to time adopted by the Board of Trustees to govern the administration and operation of the Retirement System.

ADMINISTRATION

The Board of Trustees shall appoint an Executive Director. The Executive Director shall be the administrative officer of the Retirement System, and he shall be directly responsible to the Board of Trustees. The Board of Trustees may, by resolution duly adopted, delegate to the Executive Director any of the powers and duties vested in or imposed by law.

Within such limitations as may be contained in legislative appropriations therefore, the Executive Director, subject to approval of the Board of Trustees, may employ, and fix the compensation of such secretarial, clerical, professional and other personnel as may be required for the proper administration of the System.

BOARD OF TRUSTEES

COMPOSITION

Section 3 of Act 427 of 1973, as amended, [A.C.A. 24-7-301] provides that the general administration and responsibility for the proper operation of the System and for making effective the provisions of the Teacher Retirement law are vested in the Board of Trustees of 12 persons. The State Bank Commissioner, the State Treasurer, and the State Commissioner of Education shall be the ex officio trustees. Six members shall be elected member trustees; provided, each such member shall have at least 5 years of credited service in force and be an active member at the beginning of his term of office. One member trustee shall be elected from each of the 4 congressional districts of the State by the active members employed in such congressional district, and such trustee must be a resident of such district. One person other than a Caucasian shall be elected by the Arkansas Education Association. One classroom teacher shall be elected member trustee by the members of Classroom Teachers of the Arkansas Education Association. The member trustees shall be elected in accordance with such rules and regulations as the Board shall from time to time adopt to govern such elections. Three retirants shall be elected retirant trustees by the Arkansas Retired Teachers Association, provided such persons are retirants at the beginning of their terms of office. The retirant trustees shall be elected in accordance with such rules and regulations as the Board shall from time to time adopt to govern such elections.

TERM OF OFFICE

The term of office of each member trustee shall be 5 years. The term of office of each retirant trustee shall be 3 years. Each trustee shall continue to serve as trustee until his successor is elected and has qualified.

In the event any member trustee fails to attend 3 consecutive meetings of the Board unless in each case excused for cause by the remaining trustees attending such meeting or meetings, he shall be considered to have resigned from the Board and the Board shall by resolution declare his office of trustee vacated. If a vacancy occurs in the office of member or retirant trustee, the remaining trustees shall fill the vacancy for the remainder of the unexpired term.

The board shall elect a Chairman and Vice Chairman from its own membership each year at its first regular quarterly meeting following the election of an active member from a congressional district. In years in which there is no board election by congressional district, the Board shall hold its election at the time it would if such election of a Board member had been held. In the event a vacancy of Chairman or Vice Chairman occurs for any reason other than completion of a term, the Board shall fill said vacancy by election for the remainder of the unexpired term at its next regular meeting.

ELECTION PROCEDURES FOR MEMBER TRUSTEES

Each year in which the five (5) year term of a member trustee expires, the position shall be filled either by election or re-election by use of the following procedures:

1. During the month of June of each year in which a member trustee is to be elected from a congressional district, a notice of such election shall be submitted to the Arkansas Educator, the Arkansas Association of Educational Administrator's Newsletter and the Department of Education's Connect-Ed and Education Update for publication. This announcement shall include the number of the congressional district in which an election is to be held, a listing of counties in such district, the name of the incumbent trustee, the procedure for nominating a candidate and an announcement that nominating petitions may be obtained from the Teacher Retirement System.
2. Nomination for election shall be upon petition signed by not less than twenty-five active members of the Retirement System from the congressional district from which such person is seeking election. Such petitions must also have the social security number of each signer. Nominating petitions must be filed with the Executive Director of the Teacher Retirement System not later than September 15 of the year in which the member trustee's term expires.
3. Should only one candidate file a timely and verified petition, that person shall be declared by the Board of Trustees as elected to fill the vacant member trustee position, and no ballots will be mailed to the active members.
4. A firm of certified public accountants will be retained by the Board to count the votes and certify the results of the election.
5. Ballots will be mailed directly from the Retirement System with postage for mailing ballots to members and for members returning them to the System to be paid by the System.
6. A mailing list of active members will be established on the state computer from teacher rosters obtained from school districts. This list will be updated each year before annual statements of members' accounts are mailed in September and ballots are mailed in October.
7. Instructions to voters and a return envelope with the word "Ballot" stamped on it will be mailed to each eligible voter. In cooperation with the accounting firm referred to in number 3, the Board will decide whether these return envelopes will be addressed directly to the accounting firm or addressed to the Teacher Retirement System to be delivered to the accounting firm.
8. The instructions will say that ballots are not to be copied. They will be printed on colored paper, and the color will be changed for each election.

9. Voters' social security numbers will not be requested, and no space will be provided for them on the ballot.
10. One list of eligible voters receiving ballots will be furnished to each candidate.
11. The election schedule will be as follows:

Deadline for Nomination - September 15
Ballots to be mailed to voters - October 1
Deadline for ballots to be returned - October 20
Firm of certified accountants counts votes and certifies results -
October 31

If no candidate receives a majority of votes, a runoff will be held between the two candidates receiving the highest number of votes. The schedule for the runoff will be as follows:

Ballots will be mailed - November 10
Deadline for ballots to be returned - November 23
Firm of certified accountants counts votes and certifies results -
November 30

If one of the above fixed dates is on a weekend or holiday, the above procedures will occur on the next regular work day following such weekend or holiday.

12. If a candidate receives a majority of the votes cast on the first ballot, he/she will be considered qualified on October 31 and will assume office on November 1. If a runoff is necessary, the candidate receiving the majority of the votes cast will be considered qualified on November 30 and will assume office on December 1.

ELECTION PROCEDURES FOR RETIRANT TRUSTEES BY THE ARKANSAS RETIRED TEACHERS ASSOCIATION (ARTA)

There are three (3) retirant members of the Board of Trustees of the Arkansas Teacher Retirement System. Each is elected for a term of three (3) years and the terms are so staggered as to require that one member be elected annually.

The procedure followed in this election is as follows:

1. The President of the Arkansas Retired Teachers Association appoints a committee of three (3) of its members in early March of each year for the express purpose of selecting a nominee or nominees for the position of Retirant Trustee on the TRS Board. The committee is responsible for obtaining permission from the nominee after it has been determined by the committee that the nominee chosen is a member in good standing of the Arkansas Retired Teachers Association and draws a regular benefit check from the Arkansas Teacher Retirement System.
2. Any retiree who is a member in good standing of the ARTA is eligible to be a nominee for the position of retirant trustee on the Teacher Retirement board. To become a qualified candidate, the retiree should submit a petition signed by 25 persons who are members of the Arkansas Retired Teachers Association. The petition will be submitted to the ARTA office by August 1.
3. The Teacher Retirement System is to be notified of the name and address of each nominee by September 15.
4. The Teacher Retirement System assumes the responsibility of preparing the ballots.
5. All persons on the retired rolls of the Teacher Retirement System have the opportunity, during the month of September, to study the qualifications of the candidate or candidates. The August issue of ARTA's quarterly publication INTERLINK, carries a photograph and a biographical sketch of each candidate.
6. The election schedule will be as follows:

Deadline for Nomination - August 1
Ballots to be mailed to retirants with September check
Deadline for ballots to be returned - October 15
Certification of results - October 20

If a runoff is necessary the schedule will be:

Runoff ballots to be mailed with October check
Deadline for ballots to be returned - November 15
Certification of results - November 20

7. The President of the ARTA names three (3) tellers who, with the assistance of volunteer workers, count the ballots and certify the results to the Teacher Retirement System. If one nominee does not receive a majority of the votes, a runoff election will be held. The

above-described appointed tellers will count the runoff ballots and certify the results to the Teacher Retirement System.

8. If a candidate receives a majority of the votes cast on the first ballot, he/she will be considered qualified on October 31 and will assume office on November 1. If a runoff is necessary, the candidate receiving the majority of the votes cast will be considered qualified on November 30 and will assume office on December 1.

ELECTION PROCEDURES FOR MEMBER TRUSTEES BY THE ARKANSAS EDUCATION ASSOCIATION (AEA)

Nominating Procedures

- A. Any local affiliated association or 20 members by petition may nominate candidates for any of the offices of the Association, Executive Committee members, Members-at-Large on the Board of Directors, District Director positions, Alternate District Director positions, NEA Director, Alternate NEA Director for Arkansas, NEA Delegates, and Member Trustee positions on the Arkansas Teacher Retirement Board allocated by law to AEA.
- B. Nomination forms, petition forms, information on positions to be filled and procedural instructions for the positions named in Section A shall be mailed to the president of each local affiliated association by the third Friday in October. A nomination form from AEA for AEA offices to be filled should appear in an official publication of the Association at least two weeks prior to the deadline for nominating. Nominations must be received by the office of the AEA President by the close of business on the third Friday in December.
- C. The name of each nominee and a brief position statement and biographical sketch, if one is submitted, shall be published at least two weeks prior to the applicable election in an official publication of the Association.
- D. In any position for which an election is to be held and only one candidate is legally nominated, that candidate shall be declared elected without the necessity of printing ballots and going through the formality of an election.
- E. A person may hold only one AEA state elective office at a time. This includes President, Vice President, Secretary-Treasurer, NEA Director, Executive Committee and Board of Directors.

Election Procedures for AEA Offices

Members-at-Large on the Board of Directors, District Directors Positions and Alternate District Director Positions, NEA Delegates, Member Trustee Positions on the Arkansas Teacher Retirement Board

A. Dates

- 1. In the event more than two persons are nominated for any position, a 7-day Nominating Primary election shall be held during the period beginning with the Monday following the third Sunday in February and ending with the Friday following the third Sunday in February. Any candidate receiving a majority of all the votes cast in the Nominating Primary shall be certified as having been elected. If no majority is received, the State Election Committee shall certify the names of the two highest (or in the case of a tie for second place, the three highest) for the Final Election. NEA Delegates

shall be elected by a plurality vote during this Nominating Primary election period.

2. The Final Election of officers, members of the Board of Directors and alternate members to the Board of Directors shall be held during a 7-day period beginning with the Monday following the third Sunday in April and ending with the Friday following the third Sunday in April. Prior to the Final Election, the names of the nominees and their pictures shall be published in an official publication of the Association.

B. Election Materials

1. The AEA office shall furnish the local association president or school district contact person materials to be used in the election process - official ballots, registration blanks, election regulations, certification blanks, and an envelope for certified returns. The local associations shall provide sealed ballot boxes and provisions to insure that all ballots cast will be secret ballots.
2. Positions on the ballot shall be determined by a random drawing by the President of the Association, witnessed by the Executive Director, Associate Executive Director, and Election Committee Chairperson, or his or her designee.

C. Election Returns

Two copies of the certification form shall be executed by the President and/or Election Committee Chairperson. The original form is to be returned to the AEA office, with the carbon retained by the local association. Envelopes containing the original certification forms reporting the election results should be mailed at least one week before the deadline to insure timely receipt, and must be filed in the AEA office not later than 10:00 a.m. on the second Saturday following the last day of the election period.

Nomination and Election of Member Trustee Positions on the Arkansas Teacher Retirement Board allocated by law to AEA

- A. Nomination and election procedures for member trustees of the Teacher Retirement System allocated to AEA shall be the same as those set forth for other AEA elections.
- B. Nominees for these positions shall meet the requirements as set forth in State Law, which are as follows:
 1. Classroom Teacher Member Trustee - The classroom teacher member trustee shall have at least five (5) years of credited service in force and shall be an active classroom teacher at the beginning of his/her term.
 2. Non-Caucasian Member Trustee - The Non-Caucasian member must be a person other than a Caucasian, shall have five (5) years of

credited service in force and shall be an active member at the beginning of his/her term.

- C. The length of term of member trustees allocated to AEA shall be five (5) years with a regularly scheduled election being held in 1981 and every (5) years thereafter for a Classroom Teacher Member Trustee and in 1982 and every five (5) years thereafter for a Non-Caucasian Member Trustee.

Challenge Procedures

A challenge of any AEA election shall be directed to the Constitution, By-Laws and Rules Committee within fifteen (15) days of the certification of the results of that election. The Constitution, By-Laws, and Rules Committee shall hear the challenge within thirty (30) days and shall make its recommendation in writing to the AEA Board within ten (10) days. The Board shall take action on the Committee's recommendation within sixty (60) days of its receipt.

Responsibilities of the Local Association President

- A. Insure the secrecy of the ballot.
- B. See to it that an election is held during the designated dates.
- C. Distribute ballots, official registration blanks, membership lists, and election regulations to the Election Committee
- D. See that election returns are certified and filed in the AEA office not later than the stated deadline.

Responsibilities of the Local Election Committee

- A. Designate polling places and inform Building Reps/Faculty Reps or Designees.
- B. Determine hours that polling places will be open and inform members.
- C. Distribute to the polling places: the ballots, official registration blanks, membership list, election regulations and sealed ballot boxes.
- D. Set a time and place for Building Reps/Faculty Reps/Designees to return ballot boxes and registration blanks to the Election Committee.
- E. Count and certify election returns to the AEA office.

Responsibilities of Building Reps/Faculty Reps or Designated Persons

- A. See that the name of each member, before receiving a ballot, is listed on the official registration form, giving name and address.
- B. See that only eligible AEA members are furnished with ballots and permitted to vote secretly.
- C. See that every voter has the opportunity to cast a secret ballot, folding and placing his own ballot in the sealed ballot box.
- D. Return sealed ballot boxes and registration forms to the designated place.

State Election Committee

A State Election Committee composed of 17 members, one from each District, shall be appointed by the President of the Association in accordance with the bylaws of the Association. The Election Committee shall meet on the second Saturday following the times designated for the Nominating Primary and Final Election. It shall tabulate the returns submitted and certify the results to the President of the Association.

Amendments

These regulations may be amended by the Representative Assembly of this association at a regular or called meeting. Advance notice that changes will be proposed shall be given in official publications of the Association. Copies of the proposed amendments shall be furnished delegates to the Representative Assembly.

BOARD OF TRUSTEES MEETINGS

The Board shall hold regular meetings at least quarterly. Additional meetings may be called by the Chairman or scheduled by action of the Board in a regular meeting. The Board shall adopt its own rules of procedure, which shall be subject to the following rules:

1. Quorum: Six trustees, of whom at least one (1) shall be an ex officio trustee, shall constitute a quorum at any meeting of the Board.
2. Ex officio Trustees and Designated Substitutes: Ex officio Trustees are urged and expected to attend meetings when possible. Each ex officio trustee is authorized to designate an official substitute to be approved by the Board to represent him/her when responsibilities as a constitutional officer or head of a State agency make it impossible for him/her to attend. Such designated substitutes shall be counted in determining if a quorum is present. They shall have the same rights as other trustees to participate in a meeting, including voting, making and speaking on motions.
3. Roberts Rules of Order shall be followed in the conduct of all meetings except when a departure from Roberts is authorized by action of the Board.
4. Agenda: A suggested agenda for each meeting shall be submitted in advance to all trustees. The Board shall adopt an agenda at the beginning of each meeting.
5. Minutes: The board shall keep an official record of the proceedings of each meeting, the final draft of which must be approved by the Board and signed by the Chairman and the Director.
6. Public Meetings, Freedom of Information Act: All meetings of the Board shall be public and in compliance with the Freedom of Information Act. Representatives of the Little Rock news media shall be notified of each meeting.

FREEDOM OF INFORMATION, MEMBER RECORDS

In compliance with A.C.A. 24-19-104, the Board of Trustees will release information taken from member records under the following conditions:

1. Unless a member requests information on his account, only the names and addresses of members will be supplied from the records.
2. The request for information must be made in writing to the Executive Director.
3. Any costs incurred in supplying the requested information must be paid by the person or organization requesting the information.

PAYMENT OF INVESTMENT COUNSEL FEES

1. In addition to the various retirement systems funds established as trust funds in the State Treasury, a bank trust fund or funds may be established and maintained in such depository bank or banks as may be designated by the boards of trustees of the respective retirement systems.
2. Each bank fund shall consist of and there may be deposited in the fund:
 - a) Any and all employer contributions, including any interest;
 - b) Any and all employee contributions, including any interest;
 - c) Interest, dividend, and other incomes realized from investments and reinvestments;
 - d) Interest earned upon any moneys in the fund; and
 - e) Such other proceeds as may be derived from the sale, exchange, redemption, transfer, or disposition of any securities or investments.
3. The following disbursements may be made from the bank funds:
 - a) Payments for any and all securities and investments, the purchase of which is authorized by law, which may include principal, accrued interest, commission, taxes, and fees;
 - b) Payments for money manager and custodian bank fees;
 - c) The deposit to the appropriate State Treasury fund for the payment of annuities and refunds as authorized by law that are paid on vouchers issued by the respective retirement systems and on warrants issued thereon by the Auditor of State;
 - d) The payment of annuities and refunds as authorized by law that are paid on cash fund vouchers issued by the respective retirement systems and on checks or wire transfers issued from bank funds; and
 - e) The deposit to the appropriate State Treasury fund for payments of salaries, maintenance, and operating expenses of the retirement systems supported from investment earnings.

INVESTMENT POLICIES AND PROCEDURES
(Rules and Regulations)

I. STATEMENT OF INVESTMENT POLICY

The PURPOSE of the Teacher Retirement System is: to provide an orderly means whereby employees of the participating employers who have attained retirement age may be retired from active service, to enable such employees to accumulate reserves for themselves and their dependents and to provide for old age, death and termination of employment.

Monies of the System shall be invested to achieve the investment OBJECTIVE which is to make the monies as productive as possible.

THE STANDARD OF INVESTMENT for the Director and Board of Trustees of the assets of the fund is: investing and reinvesting monies in the fund and in acquiring, retaining, managing and disposing of investments of the fund there shall be exercised "the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

With the preceding propose, objective, and standards in mind, investment GOALS will be established to guide the Director, and investment counsel. Goals will be directed at achieving, over a period of years, the actuarial interest assumption rate of the System, with due consideration being given to preservation of capital and its purchasing power, and to maintaining the element of risk at a prudent level.

Available funds should be invested to achieve a total return level necessary to maintain the fiscal soundness of the fund and to achieve the actuarial reserve requirements within the standards set forth above.

In order for the Board of Trustees to achieve the purpose, objective, standards and goals of the Fund, Investment Counsel (Investment Managers) and an Investment Consultant or Consultants will be retained. Investment Counsel will provide general economic information, as well as recommendations, on specific investments. Investment Counsel will at all times be responsible for the development and articulation of investment strategy, which will be a topic in each of its quarterly reports to the Board of Trustees. The Board's acceptance of the quarterly report of Investment Counsel shall constitute Board approval of investment strategy for the next quarter. In each of its follow-up letters on specific investment recommendations (Item D of Procedures for Investment Counsel), Investment Counsel shall justify each specific recommendation and its relationship to investment strategy approved by the Board of Trustees at the prior quarterly meeting. The Investment Consultant or Consultants will provide advice on

investment results of the Fund using such techniques as market valuation, time weighted rates of return, comparison with capital market indices and/or other relevant measures.

At the time of issuing this Statement of Investment Policy, the actuarial interest rate assumption utilized by the System is 8%. It is the desire of the Board of Trustees that the investment of the funds of the System will achieve a total return that will exceed the interest rate assumption, preserve the purchasing power of the assets and, in addition, produce earnings that may reduce the cost of the Retirement System to the participating employers or provide additional funds so that improvements in the System benefits may be adequately funded. While there can be no assurance that these desires can be achieved, the intent of the Board of Trustees is that by careful selection of individual securities and by constant supervision of the investment portfolio, the long-term value of the funds of the System will be enhanced and the stated goals will be achieved.

The Board of Trustees is sensitive to its responsibility to see that funds of the Teacher Retirement System are invested wisely, prudently and at a rate of return which will support the financial objectives of the System. However, the Board realizes that it would be impractical, if not impossible, of it to make all the investment decisions that are necessary in the management of a large trust fund.

Therefore, the Board, pursuant to authority vested in it by Section 3.04(c) of Act 427 of 1973 as amended, delegates to the Executive Director the authority to purchase, hold, assign, transfer or sell common and preferred stock, government bonds or notes, federal agency securities, corporate bonds or other securities permitted under Section 1 of Act 412 of 1985 as amended. The Board by resolution dated November 10, 1993, delegates to the Associate Director-Investments in the absence of the Executive Director, the authority to purchase sell, assign and endorse for transfer securities held in the name of the system. Investments in mortgages or in bank capital notes shall have specific approval by the Board before the investments are made. The Board delegates to the Executive Director authority to make short-term investments that are consistent with strategy adopted by the Board and with the general recommendations of Investment Counsel.

Through written and oral reports by Investment Counsel, the Investment Consultant or Consultants and by either the Executive Director or Associate Director-Investments, the Board shall insure that all investments made under this delegation of authority are in conformity with Section 1 of Act 412 of 1985 as amended and with the investment policies and procedures of the System.

Investment Counsel shall observe the following limitations and guidelines subject to the Prudent Investor Rule as amended by Act 412 and Act 1009 of 1985:

PRUDENT INVESTOR RULE. The prudent investor rule, as interpreted and defined by the Federal Employee Retirement Income Security Act (ERISA) of 1974, as amended, and regulations promulgated pursuant thereto, shall be applied by each party serving in a fiduciary capacity for the respective retirement systems. The prudent investor rule means that in making investments the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Goals and Guidelines

The overall goal will be directed at achieving, over a period of years, the actuarial interest assumption rate of the System with due consideration being given to preservation of capital and its purchasing power and to maintaining the element of risk at a prudent investor level.

Goal for Equity Investment

The goal for the investment of retirement system funds invested in the equity segment of the capital markets shall be to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices and peer groups over a 3 to 5 year period. The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to the market sector.

Equity Investment Strategy and Implementation

In accordance with prudent investment practice, the ATRS has adopted a multiple manager equity investment philosophy to increase diversification and enhance total rate of return. The success of the goals for each manager and the aggregate portfolio will be measured against the investment objectives described in Goals for Aggregate Equity Investment.

The ATRS Trustees will be responsible for an annual allocation of assets between the different investment styles of Investment Counsel, to maintain a prudent level of risk and volatility and allow for future growth. An annual asset allocation study will be provided by the Investment Consultant or Consultants.

Goal for Aggregate Equity Investment

The goal for the investment of Retirement System funds invested in the equity segment of the capital markets shall be to achieve a total rate of return which will exceed the rate of inflation and substantially outperform pertinent indices

and peer groups over a three- to five-year period. The concern of the Trustees is maintaining the growth of purchasing power of assets allocated to this market sector.

Goals for Individual Equity Managers

The goal for large cap value oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell Price 1000 Index and exceed the median manager from comparative equity Large Cap Value Style Universes over two full market cycles.

The goal for the growth oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 1000 Growth Index and exceed the median manager from comparative equity Large Cap Growth Style Universes over two full market cycles.

The goal for small cap oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the Russell 2000 Index and exceed the median manager from comparative equity Value or Growth Style Universes over two full market cycles.

The goal for international oriented investment managers shall be to achieve a minimum total rate of return which will exceed the rate of inflation and outperform on an absolute and risk adjusted measure the Standard and Poor's 500 Index and the EAFE Market Cap Index and exceed the median manager from comparative equity International Style Universes over two full market cycles.

Guidelines

The statutes (Section 1 of Act 412 of 1985 as amended) will be the guidelines for the equity investment; however, it will be the responsibility of each investment manager to manage his exposure of assets to the equity market on an ongoing basis. It is not the intent of the ATRS to evaluate a manager on his ability to time the equity market but only to evaluate the use of cash as a vehicle to enhance long-term returns. Ability to manage the asset allocation between equities and cash equivalent investments will be evaluated over full market cycles.

1. In view of present market conditions, no more than approximately 60% of cost value of the Retirement System's assets may be invested in common stock.

Preferred stock and/or convertible securities will, for the purpose of determining the 60% level, be considered as common stock. The policy will be reviewed by investment management quarterly and appropriate recommendations made to the Trustees.

Goal for Fixed Income Investments

The goal for fixed income investments will be to maintain a high degree of consistency of total investment return. It is the further goal of the Trustees to reduce the volatility of the principal value of the fixed income investments while maintaining a total investment rate of return which is consistent with the stated objectives of the entire Arkansas Teacher Retirement System Fund.

Guidelines

The Arkansas statutes will be the guidelines for the fixed income investments. The fixed income investments shall be approximately 40% of the entire Arkansas Teacher Retirement System fund at cost value. The Trustees further believe that to achieve the goal for fixed income investments, the duration and maturity of the fixed income portfolio should at all times range between the Lehman Intermediate Government/Corporate Bond Index and the Lehman Government/Corporate Bond Index. The Trustees wish to maintain high quality fixed income investments. Therefore, only U.S. Treasury securities, U.S. Government Agency issues mortgage-backed securities, and corporate bonds rated A or better shall be purchased. A weighted average quality rating of AA or better shall be maintained.

Investment Strategy and Implementation

The strategy of the Investment Manager to accomplish the goal of consistency of total investment return will be to passively manage and ladder the fixed income investments.

The investments will primarily be spread over a 10-year ladder. A maximum of 15% of the fixed income portfolio may have maturities greater than 10 years but not exceed 15 years. The duration and maturity of the fixed income portfolio should at all times range between the Lehman Intermediate Government/Corporate Bond Index and the Lehman Government/Corporate Bond Index.

The portfolio weighted average maturity and the portfolio weighted average quality rating should be calculated using the dollar face amount percentage as the weighting factor.

Principal and coupon payments are to be reinvested at the current interest rate so that over the life of the fixed

income portfolio a consistency of total investment return will be achieved.

It is the responsibility of the investment manager to maintain the quality at the average rate of AA or better and to advise the sale of any security which in the investment manager's judgement is in jeopardy of being downgraded, or has been downgraded below the grade of A.

The investment manager shall also offer recommendations concerning the spreads between the various sectors of the fixed income market, i.e. which sector (U.S. Government or corporate) offers the best value at the time of purchase. These recommendations are to be made within the passively managed maturity schedule guidelines.

Mortgages

- A) The total principal amount held by the Teacher Retirement System shall not exceed 20% of the total investment holdings of the System.
- B) All mortgage loans shall be first mortgages on property located in Arkansas.
- C) Mortgage investments shall not be made in excess of eighty percent (80%) to value or cost whichever is less, unless insured or guaranteed by an agency of the Federal Government or by a private mortgage insurance company authorized to insure loans purchased by the Federal Home Loan Mortgage Corporation.
- D) Mortgages other than single-family residences must be submitted through an approved Arkansas financial institution or mortgage banking firm and be accompanied by a current financial statement of the proposed mortgagor, prepared by a member of the American Institute of Certified Public Accountants, and an appraisal prepared by an approved state licensed appraiser.
- E) Mortgage servicing agreements may be entered into with commercial banks and mortgage banking companies at competitive rates with mortgage servicers.
- F) Mortgage investments shall be made only after affirmative recommendation by a Board approved Investment Advisor and approval of the Board of Trustees.

Bank Capital Notes

- A) At no time shall the System have invested more than \$3 million of its assets valued at cost in bank capital notes.
- B) Bank capital notes shall not be subordinated to any other debt of the bank which would be classified as capital except first mortgages on bank property that may exist prior to the time of issue.
- C) Bank capital notes of a single financial institution shall be limited to no less than \$500,000 and to no more than \$2 million.
- D) Investment Counsel shall issue an affirmative recommendation prior to purchase of bank capital notes.
- E) All purchase of bank capital notes shall have prior approval by the Board of Trustees.

Short-Term Investments

- A) Short-term investments may include, but are not limited to, government securities, repurchase agreements, which are collateralized by securities issued by the Federal Government or an agency of the Federal Government, and have a current market value of no less than 100% of the System's investment in repos, certificates of deposit, savings accounts, Prime 1 Commercial Paper of eligible corporations, bankers' acceptances in an amount not to exceed the capital funds, represented by capital, surplus, and undivided profits, of financial institutions that are insured by an agency of the Federal Government, or mutual fund accounts that are backed by securities that are backed by the full faith and credit of the United States government.
- B) Consideration should be given to safety, liquidity needs and rate of return when considering short-term investments.

Small Business Administration Loans

The Teacher Retirement System may invest up to \$10,000,000 in the U.S. Government guaranteed parts of U.S. Small Business Administration loans subject to the following conditions:

- A) That the Teacher Retirement System will purchase only the U.S. Government part of any loan.

- B) That loans must be made to small businesses located in Arkansas.
- C) That the maximum maturity of any loan purchased will be ten (10) years. The average maturity of such loans is expected to be 7 to 8 years.
- D) That the rate of return to ATRS will be at least 3/4% more than U.S. Treasuries of the same maturity are being priced to yield at the time each loan is purchased.
- E) That the SBA agrees to repurchase any loan on which there is a default on principal and interest payments, unless such loan is repurchased by the bank which sold it to the Retirement System.
- F) That the Step-by-step Procedure for Guaranty Sale to Pension Fund which was distributed to members of the Board will be adhered to in the administration of this program.

Certificates of Deposit

The Teacher Retirement System may invest up to \$40,000,000 in insured certificates of deposit of Arkansas financial institutions subject to the following conditions:

- A) FDIC Insurance. Implementation of this program is dependent upon the Teacher Retirement System receiving from the Legal Counsel for FDIC acceptable written assurance that deposits made will be covered by FDIC insurance in the amount of each member's individual account in the fund up to a maximum of \$100,000.00 per member, and that records of the System satisfy FDIC requirements for insurance coverage. The eligibility of a depository institution to receive deposits under this program will be subject to such institution meeting all requirements for FDIC insurance and its issuance of a Certificate of Deposit in accordance with FDIC Regulation 330.1 governing insurability of pension trust fund accounts.
- B) Amount of Participation. The \$40,000,000 authorized for this program is a maximum authorization that can be increased only by action of the Board of Trustees. The amount actually invested under this authorization from time to time will be determined by the Investment Committee with the advice of Investment Counsel. Decisions of the Committee will be based on:

- 1) The amount of money that the System has available for fixed income investments
 - 2) Rates of return available from this program compared with other investment opportunities
 - 3) The amount that the System needs to invest in Arkansas to satisfy the requirements of Act 412 of 1985.
- C) Credit Line. If the demand for funds exceeds the amount that the System is prepared to invest, the amount to be deposited in each depository institution will be determined by use of the formula used by the State Board of Finance in the allocation of State Funds, except that in no case will the maximum deposited in any institution be allowed to exceed fifty percent (50%) of the adjusted equity account of the Depository Institution.
- D) Rates of Return. CD rates will be indexed off the U.S. Treasury Bill rate for the desired maturity at the time the money is offered for deposit. The rate will not be less than the bond equivalent Treasury yield.
- E) Maturity schedules up to a maximum of seven (7) years will be set by the System when funds are made available.
- F) Interest will be due and payable semi-annually. Interest will be calculated on a 365-day basis.
- G) Funds must be invested in Arkansas. Each depository institution receiving funds under this program will be required to agree in writing that such funds will be used for First Mortgage Home Loans, Home Improvement Loans, Consumer Loans, Business, Commercial, Industrial or Agriculture Loans within the Institution's commonly known "trade area". Funds invested in this program may not, in any manner, be used by a Depository Institution for lending outside the State of Arkansas.

Corporate Bonds

- A) Corporate bonds shall at the time of purchase, be rated within the three highest classifications by at least one nationally recognized rating service.

II. PROCEDURES FOR INVESTMENT COUNSEL

- A. The Board shall have full power to invest and reinvest the monies of the System and to hold, purchase, sell, assign, transfer or dispose of any investments so made, as well as the proceeds of such investments and such monies, provided no investment shall be made by the Board until it has received the advice of its Investment Counsel. Pursuant to A.C.A. 24-3-410, the Board of Trustees will retain such Investment Counsel to provide advice for any or all investments made by the System. In no event will the Director of the System invest funds belonging to the System without the advice of the Investment Counsel who is under contract to provide such advice.
- B. The Board of Trustees may employ professional Investment Counsel in either an advisory only capacity or as a money manager with authority to execute transactions. If the Board chooses the latter method of asset management, the funds of the System shall be invested and reinvested in accordance with the following procedures:
1. From time to time the Board shall formulate the policy to be followed in future investment activity. Investment policy shall be reviewed and changed or reaffirmed at least once annually;
 2. Investment Counsel shall have full power to hold, purchase, sell, assign, transfer, or dispose of any of the monies or investments of the System pursuant to the provisions of this subchapter and in accordance with the current investment policy filed with the Board;
 3. The monies of the System allocated to the Investment Managers shall be actively managed by the Investment Managers, which may include selling investments and realizing losses if such action is considered advantageous to longer-term return maximization;
 4. The System shall manage those monies not specifically allocated to investment managers;
 5. At least semi-annually, the Investment Counsel shall file with the Board a written report setting forth, for the period since its last report, all investments purchased and sold, all receipts and disbursements, and any other transactions concerning System monies;
 6. At each regular meeting the Board shall examine each written report received from the Investment Advisor since the last regular meeting; and
 7. Anything in this section to the contrary notwithstanding from time to time the Board may direct a specific

investment activity and shall be fully responsible for any such direction.

- C. Investment Counsel will make specific recommendations on long-term investments in stocks and bonds. Specific recommendations may take the form of buying and selling programs. The Investment Manager may substitute purchases or sales of other bonds for specific recommendations in a buy and sell program subject to approval of Investment Counsel.
- D. Investment Counsel shall be aware of and operate within the Statement of Investment Policy, this Statement of Procedures, and Act 412 and 1009 of 1985.
- E. Recommendation by the Counsel for portfolio changes will be made by a confirmation letter which sets out the specifics of the recommendation. The letter should be mailed to the sytsem within thirty (30) days.
- F. The Investment Counsel will report in person to the Board of Trustees on a quarterly basis.
- G. Investment Counsel will provide a list of assets with cost and market value comparisons monthly.
- H. Investment Counsel shall:
 - 1. Provide a monthly letter (1-2 pages) to the individual Trustees and the Director discussing the month's activity, highlights, unusual situations, and whatever else may be necessary to provide a brief overview of the Investment Counsel's portfolio; notify the Board and the Director in writing of any material change in strategy.
 - 2. Provide a quarterly letter to the individual Trustees who request it, as well as the Director, and a written and oral report at the appropriate Board of Trustees meeting. Written and oral reports should contain whichever of the following as are necessary to enable the Board of Trustees to be aware of the Investment Counsel's portfolio make-up, portfolio activity, and anticipated action:
 - a) Economic overview
 - b) Review of recent and anticipated investment activities
 - c) Analysis of major changes that have occurred since the last report
 - d) Comments on the general condition and anticipated action of the securities market
 - e) Approximate current income yield of the portfolio at reporting date

- f) Present portfolio strategy as relates to stock/bond ratio and changes likely to occur in the following quarter
- 3. Counsel will advise the Board in writing of changes in key personnel, ownership, and any changes in bonding and fiduciary liability insurance coverage.

Loan of Securities

In order to increase investment income with minimal risk, the Board of Trustees may loan bonds, stocks, or other securities, but only if, at the time the loan is executed, at least one hundred percent (100%) of the full market value of the security loaned shall be collateralized by cash or securities guaranteed by the United States government or an agency thereof.

At all times during the term of each loan, the collateral shall be equal to not less than ninety-five percent (95%) of the full market value calculated on the total value of all securities on loan.

III. PROCEDURES - PURCHASING AND SELLING OF CORPORATE BONDS AND STOCKS

- A. Delegation of Authority to execute specific investment transactions
 - 1. Pursuant to authority vested in it by A.C.A. 24-3-410 the Board of Trustees of the Teacher Retirement System, in a regular quarterly meeting on February 9, 1993, voted to authorize its Investment Counsel for equities, to execute specific equity investment transactions for the System.

IV. ROLE OF INVESTMENT CONSULTANT

The responsibilities of the designated Investment Consultant or Consultants with respect to the Board of Trustees and Director, shall be to:

- A. Assist the Board to develop, and from time to time change its Investment Policy Statement due to broad economic and/or statutory changes in the State of Arkansas.
- B. Develop portfolio strategies and plan for portfolio growth.
- C. Assist the Board in selection and control of Investment Counsel.
- D. Monitor the investment performance of Investment Counsel.

INVESTMENT COMMITTEE

POLICIES

1. There shall be an Investment Committee composed of five (5) members of the Board of Trustees. Three (3) will be appointed by the Chairman of the Board. The Chairman and Vice-Chairman of the Board shall serve as ex-officio voting members of the Committee.
2. Appointments shall be for terms of three (3) years with no limit on the number of times a member may be reappointed.
3. The Committee shall elect its own Chairman. The Executive Director may serve as secretary to the Committee or delegate another member of the staff to serve in this capacity.
4. Three (3) members of the Investment Committee, one (1) of whom must be the Chairman or Vice-Chairman of the Board of Trustees, shall constitute a quorum. At least three (3) affirmative votes are necessary to approve an investment submitted to the Investment Committee.
5. The Committee shall meet on call by the Chairman and/or the Executive Director, but not less than on a quarterly basis (provided there is business pending before the Committee).
6. The primary purpose of the Committee shall be to consider investment proposals other than stocks, U.S. Government Corporate Bonds, or short-term investment transactions which are routinely recommended by Investment Counsel and executed by staff. Such proposals usually will be, but do not have to be Arkansas-related investments submitted under Act 412 of 1985.
7. The Committee may develop guidelines or procedures for certain U.S. Government guaranteed investments such as Small Business Administration loans, Arkansas-related investments, and FDIC insured certificates of deposit issued by Arkansas financial institutions. Such guidelines or procedures shall be submitted to the Board of Trustees for approval. Investments which are specifically covered by approved guidelines may be administered by the ATRS Director and/or Associate Director-Investments.
8. Investments which are not guaranteed or insured by the U.S. Government or an agency thereof shall be made only with approval of the Board or the Investment Committee subject to the following conditions:
 - a. Investment proposals which can reasonably be held until a meeting of the full Board is scheduled will be approved only by action of the full Board. Such proposals will be considered first by the Investment Committee and will be considered by the full Board only if recommended by the Investment Committee.
 - b. Proposals for investments of less than \$5,000,000 may be approved by the Investment Committee provided it satisfies all requirements of Board policies for such investments.

- c. Special meetings of the Board may be called to consider investment proposals which do not meet the conditions in (b) for approval by the Investment Committee, but which the Chairman of the Investment Committee and Director feel are of sufficient importance and urgency to justify a called meeting of the Board. Decisions on whether or not to call special Board meetings to consider investment proposals shall be made jointly by the Chairman of the Board, the Chairman of the Investment Committee and the Executive Director.
- d. All available information about each investment proposal to be considered shall be mailed to each Trustee at least one week prior to the meeting at which consideration is scheduled. No special meetings to consider investments will be held unless such information has been provided to Trustees.

PROCEDURES

PURCHASING FHA, VA AND INSURED CONVENTIONAL MORTGAGES

1. Based on consistent investment strategy, Investment Counsel shall recommend purchase of FHA, VA and/or insured conventional mortgages.
2. Rate of return shall be consistent with current market conditions. Servicing fee shall be a competitive rate.
3. Loans submitted for approval to the Retirement System must be in an amount of not less than \$20,000 and cover homes not over five (5) years old.
4. Applicants must be 21 years of age. Applications by co-mortgagors are not acceptable.
5. The submitted loans are reviewed by the Investments Administrator and the Associate Director-Investments.
6. When mortgages are presented to the Teacher Retirement System for its review, the following items must be included:
 - a. Mortgagee's Application
 - b. Supplement to Mortgagee's Application, and Mortgagor's Statement
 - c. Verification of Employment
 - d. Verification of Deposit
 - e. Credit Report
 - f. Offer and Acceptance
 - g. Photographs of Property
 - h. FHA Commitment Form
 - i. VA Certificate of Reasonable Value, or Appraisal
 - j. Other Exhibits the Retirement System may specify
7. If a mortgage investment is acceptable to the Teacher Retirement System staff, it is then presented to the Board of Trustees for approval. If approved a commitment is then made to a servicing company.
8. The servicing company files a repurchase agreement and forwards to the Retirement System all documents necessary for the closing of the loan. These documents are as follows:
 - a. Invoice
 - b. Deed of Trust Note
 - c. Deed of Trust
 - d. Assignment of Deed of Trust
 - e. Certificate of Hazard Insurance Policy
 - f. Tax Report
 - g. Title Insurance
 - h. FHA Form 2080
 - i. Final compliance Inspection Report
 - j. Builders Warranty of Completion or Verification of Completeness by Appraiser

- k. Plat of Property
- l. Amortization Schedule

- 9. Payment is made by check on the local bank account, or wired per instructions.
- 10. All documents pertaining to the loan are filed in the Teacher Retirement System office. The Deed of Trust, the Deed of Trust Note, Assignment of Deed of Trust of the mortgagor are filed in the fireproof vault in the office of the custodian for the Teacher Retirement System.

MEMBERSHIP

DEFINITION

1. Membership in the Teacher Retirement System shall be an integral part of the contract or agreement entered into by a member and his board or employing agency. Membership is automatic and the cooperation of the member is needed to fulfill the rules and regulations as adopted by the Board of Trustees and required by law.
2. Beginning July 1, 1989, membership in the System covers all employees of the school district. Those employees whose non-teaching service began before July 1, 1989, and whose non-teaching service is covered or coverable by the Public Employees Retirement System, shall continue to be covered by that system for all non-teaching service. All persons newly hired after July 1, 1989, by a covered employer shall become members of the Teacher Retirement System. Beginning July 1, 1991, all part-time persons, except public school students, employed in a covered position shall become members of the Teacher Retirement System. Beginning July 1, 1993, employees who accumulate less than thirty (30) days of credited service within a fiscal year are not eligible for membership in the Teacher Retirement System.

Effective July 1, 1993, membership in the Teacher Retirement System shall include employment in a position with an educationally-related agency if the employee is or has been a member of the Teacher Retirement System for a minimum of five (5) years and elects to become or remain a member of the system. The employment shall be related to the training of public school employees or school board members, or teaching public school students or in adult education programs. The employment shall not be related in any manner to private schools. The employer shall be responsible for all required employer contributions.

A person who has excluded himself from membership before July 1, 1991, may rescind the exclusion by filing with the system a Membership Data Form.

ACTIVE MEMBER

DEFINITION

Active member means any person rendering service covered by the System.

POLICIES

An active member means a person rendering teaching service and contributing to the System as follows:

- a) For the purpose of crediting service in a fiscal year, a member must earn a year of credit (120 teaching days) or a fraction thereof (not less than 1/4 year - 30 teaching days)
- b) Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution

certified continuing employment, and leave of absence with pay upon which the member is making contributions or is a non-contributory member, also continues active membership

- c) Deferred members acquire survivor, disability, and early retirement privileges after rendering one (1) year of service credit subsequent to reentering the Teacher Retirement System (must be done in a maximum of four (4) years).

INACTIVE MEMBER

DEFINITION

Inactive member means a member who is vested but not in a current position covered by the System.

INELIGIBLE MEMBERSHIP

DEFINITION

1. Teachers and other employees who are eligible for membership in the Teacher Retirement System are ineligible for membership in another state retirement system while employed in a position covered by Teacher Retirement.
2. Beginning July 1, 1993, employees who accumulate less than thirty (30) days of credited service within a fiscal year are not eligible for membership in the Teacher Retirement System.

KINDERGARTEN TEACHER

POLICY

Kindergarten teachers who are employed by a school district shall be compulsory members of the Teacher Retirement System. The local school districts will be responsible for employer contributions on salaries paid kindergarten teachers when the salaries are financed from any source other than the Public School Fund allocation.

CAFETERIA MANAGERS, SUPERVISORS, AND CLERKS

Cafeteria Managers, Supervisors, and Clerks are eligible for membership in the Teacher Retirement System. (Attorney General's Opinion of November 9, 1965).

NON-MEMBER

DEFINITION

A non-member is a former member who is not contributing to the System and who is not vested.

POLICY

1. A non-member who returns to service after July 1, 1971, and who did not withdraw his contributions must render 120 days of continuous service (fractional years may be combined if rendered in consecutive succeeding years) to reestablish prior credit.
2. A non-member who returns to service and who did withdraw his contributions may repay his refund. He must render one year of service subsequent to his re-entry before the repaid refunded service is credited.

DEFERRED MEMBER

DEFINITION

A deferred member is a member who has 10 or more years of credited Arkansas service. For additional information see "Deferred Retirement".

NON-CONTRIBUTORY SERVICE

DEFINITIONS

1. Non-contributory service is service on which a member has elected not to make contributions to the Teacher Retirement System and to accept a reduced retirement annuity for the years of service on which he/she does not contribute.
2. Non-contributory election is a written election by a member to stop making contributions. To be valid, an election must be on a special election form provided by the system. It must be signed by the member, his employer and a representative of the Teacher Retirement System. It must be filed with the system prior to July 1 of the year in which it is to become effective.

POLICIES

1. Once an election form is received in the Teacher Retirement office, it becomes a binding agreement upon its effective date. It cannot be voided or changed for one full year after its effective date.
2. For members hired before July 1, 1991, an election to stop contributions may be reversed one (1) time, on any July 1 after it has been in effect for at least one full year.

3. For purposes of administration of Act 504 of 1985, any person who is a former or an inactive member during the year preceding his change of an election, and who has not executed an election form, and returns to active service during any fiscal year after July 1, 1986, shall be considered a new member.
4. All service rendered before July 1, 1986, is contributory service. Active members do not become eligible for a refund of contributions made before July 1, 1986, by signing a non-contributory election form.
5. The Executive Director will make the final decision in accepting forms where an apparent error was made by the member by sending the wrong form or when forms are received after the deadline through no fault of the member.
6. Effective July 1, 1991, a new member shall not make member contributions, unless he elects, by written election filed with the system before the preparation of the payroll containing his first salary payment, to make contributions. An election to make contributions may be reversed one (1) time, on any July 1 after it has been in effect for at least one full year.
7. For purposes of administration of Act 14 of 1991, any person who is hired after July 1, 1991, and who has never been a member of the Teacher Retirement System, shall be considered a new member.
8. Beginning July 1, 1993, a member may change his election once each fiscal year, to be effective the July 1 following the filing of the election in the system office.
9. Beginning July 1, 1993, regardless of his former status with the system, a former active member who returns to employment in a covered position will be a non-contributory member. A change to contributory status must be made before the preparation of the payroll containing his first salary payment.

PROOF OF YEARS OF SERVICE

DEFINITION

Teaching service or other duties performed pertaining to one's occupation must be made in affidavit form or on special forms drafted by the System. A year of service beginning with the establishment of the System will be from one day to 120 days, from July 1 to June 30 of a fiscal school year as set forth by the following policies established by law and the Board of Trustees of the Teacher Retirement System.

POLICIES ON SERVICE AFFIDAVITS

Membership

1. One day or more is a year of service when rendered prior to February 11, 1949 and proved prior to July 1, 1955, unless otherwise determined by information in the folder. "Proved" for membership service means service rendered and contributions paid before February 11, 1949 or a contract entered into prior to July 1, 1955 to pay such contributions at a later date and at least a partial payment is made.
2. Sixty (60) days in a fiscal year is a year of service when rendered and proved between the period of February 11, 1949 and July 1, 1957.
3. Eighty-five (85) days in a fiscal year is a year of service when proved subsequent to July 1, 1957. (1957-71)
4. One hundred twenty (120) days in a fiscal year is a year of service beginning July 1, 1971 to present.
5. Service rendered and proved prior to July 1, 1957 can be combined to count as a year of service provided:
 - a. The minimum number of days combined is 85.
 - b. The maximum number of fiscal years to be combined is three (3) and the years do not have to be consecutive.
 - c. The minimum number of days in a fiscal year to be counted is 30.
6. Service rendered subsequent to July 1, 1957 and proved before July 1, 1971 (1957-71) can be combined to count as a year of service provided:
 - a. The minimum number of days to be combined is 85.
 - b. The maximum number of fiscal years to be combined is two (2).
 - c. The fiscal years combined must be consecutive years.
 - d. The minimum number of days in one fiscal year is forty (40).

7. Fractional Years of Service Policy - Beginning July 1, 1971 for teaching service rendered in any one fiscal school year shall be determined in accordance with the following table:

1 - 29 days	None
30 - 59 days	1/4 year
60 - 89 days	1/2 year
90 - 119 days	3/4 year
120 days or over	1 year

8. Four hours shall be required as the minimum for a "day of service" for all employees.
9. If the Retirement System has made a commitment to a member that he may purchase service not previously established, the commitment must be honored if partial or full payment has been accepted.
10. The 1937-38 year may be established as a back contribution year without cost to the member, unless contributions were paid for the 1937-38 year and later refunded. In such case, the amount of refund plus interest must be paid in order to establish credit for the 1937-38 year. Proof submitted subsequent to July 1, 1971 must show a minimum of 120 days of service.

PRIOR SERVICE

DEFINITION

Teaching service performed before July 1, 1937 is considered prior service. Such service must have been proved by affidavits and filed with the System before July 1, 1959. Credit was allowed under the following provisions:

1. Proof of service rendered prior to 1937 is considered prior service. Such service must have been proved by affidavits and filed with the System before July 1, 1959, to be counted as credited service unless marked otherwise or correspondence in folder so states. The 1937-38 year may be proved at any time at no cost to the member and counted as membership year, except withdrawn contributions, if any, for 1937-38 must be repaid.
2. Prior service proved prior to July 1, 1955, is acceptable if affidavit was signed by father, mother, brother, sister, former co-worker, neighbor etc. and notarized -- unless affidavit was signed by a school official. In that case, signature did not have to be notarized.
3. Prior service proved after July 1, 1955 must be signed by a school official where service was rendered or by country school supervisor where service was rendered. Form should indicate number of days or months of service rendered.
4. Unless proof is otherwise marked and number of months is not indicated, we will assume it is a year of service.
5. If proof does not meet the above specifications but was filed prior to July 1, 1959, we will give the member an opportunity to submit an acceptable proof. If proof filed does not meet these specifications but correspondence indicates member has been given credit for prior service, we will not take it away from him.
6. Upon re-entrance, subsequent service for 120 days and repayment of withdrawn service, a member's microfilmed proof of prior service is sufficient for service credit.

MEMBERSHIP SERVICE

DEFINITION

Service rendered and contributions paid on salary, received after July 1, 1938.

POLICIES

1. After July 1, 1971 for the purpose of establishing service based on back contributions, the number of days required to establish a year of service since 1937 is 120 days.
2. Fractional years of credit may also be established only for service rendered after July 1, 1971.

SALARY DETERMINATION FOR RETIREMENT SYSTEM PURPOSES

DEFINITIONS

1. "Salary" means the recurring remuneration paid an employee for personal services rendered by the employee in a position, or positions, covered by the system. It includes remuneration received from all covered employers during a school fiscal year.
2. "Covered salary" means the portion, or all, of an employee's salary which is covered by the system. For each member who first became a member before July 1, 1971 his covered salary for each year after June 30, 1969 is the first \$7,800 of this total annual salary for all covered employment unless he has elected to make contributions to the system on his full salary. For each member who first became a member after June 30, 1971 or who has elected to make contributions on full salary, his covered salary is his full salary for all covered employment.
3. "Covered Employer" means each employer for whom a member renders service in a covered position.

POLICIES

1. In determining "salary" no consideration shall be given to (a) any non-recurring single sum payment paid by an employer or (b) any employer contributions to any employee benefit plan except cafeteria plans as defined in A.C.A. 21-5-901 or (c) any other unusual or non-recurring remuneration except that money which is in lieu of remuneration and which is used by an employer to purchase a qualified tax sheltered annuity or a life insurance policy for an employee shall be considered as "salary" for system purposes.
2. An employee who is receiving remuneration under both a regular contract and a purchased contract or under both a regular contract and a contract won through litigation shall have only the greater of the two amounts considered as "salary" for System purposes.
3. Should an employee make a charitable donation, or return any part of his salary, to his employer, the amount of his recurring remuneration otherwise useable as "salary" shall be reduced by such amount or amounts to arrive at his "salary" for System purposes.
4. The system will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in policies 1-3. In case of doubt, the facts will be determined and the Board will decide whether or not payments reported as salary can be accepted as salary for retirement purposes. Contributions based on payments that are not salary for retirement purposes will be refunded as promptly as possible.
5. If a member is making contributions to the system on a covered salary of \$7,800 rather than his full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800 (\$468).

Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.

6. If an eligible employee of a government entity, as defined in Act 810 of 1987, elects to participate in a cafeteria plan which meets the requirements of the Federal Internal Revenue Code, the amount which such employee's salary is reduced pursuant to a salary reduction agreement, as defined in Act 810 of 1987, shall continue to be included as compensation for the purpose of computing retirement benefits. Employees participating in the contributory plan will pay 6% of the total salary earned before such reductions are made, and employers will report the total salary earned before reductions.

AGE AND SERVICE RETIREMENT

ELIGIBILITY

1. Any active member who attains age 60 years and has 10 or more years of credited service may voluntarily retire upon his written application filed with the Board of Trustees. Benefits are effective the first day of the calendar month next following one month after the receipt of his application, provided his employment has terminated; i.e., his application must be filed by May 31 if his retirement is to be effective July 1.
2. Any active member who has 30 or more years of credited service but has not attained age 60 years may voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin under the same provisions as stated in Item 1 above.
3. Any inactive member who has 30 or more years of credited service may also voluntarily retire without reduction in benefits upon his written application filed with the Board. Said annuity shall begin the first of the month following the date of application.
4. An inactive member with 25 or more years of credited service who attains or has attained age 55 but has not attained age 60 may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the lesser of the member's age to 60 or his years of credited service to 30. Said annuity shall begin the later of: the first of the month following his attainment of age 55; or the first of the month following the date the application is received.
5. Any active member who has 25 or more years of credited service but has not attained age 60 may voluntarily retire early on a reduced annuity upon his written application filed with the Board of Trustees. The reduction is the same as stated in Item 4.
6. In no event shall such annuity begin earlier than the July 1 next following a fiscal school year for which the member has signed an employment contract unless his contract is terminated with employer consent before the year of service is rendered.
7. Effective August 13, 1993, a member retiring with an effective date other than July 1, who has not completed his employment contract and who wants to retain credit for service within the current fiscal year may retire on October 1, January 1, or April 1. No salary earned during the fiscal year may be used in the computation of benefits and no more than one-fourth (1/4) of a year of service credit shall be given for each quarter worked, regardless of the number of days worked in a quarter. If a member has signed an employment contract for a fiscal year and has been paid in full for that year, benefits shall not become effective until July 1.

Minimum Benefits

Any member retiring after June 30, 1965, but before July 1, 1986, and who has 10 or more years of credited service shall receive not less than \$1,800 per annum. Any member retiring July 1, 1986, or later shall receive the following minimum benefit: \$150.00 per month if the member has only contributory credited service; \$94.00 per month if the member has only non-contributory service; and a monthly amount prorated between \$94.00 and \$150.00 if the member has a combination of contributory and non-contributory service.

Beginning July 1, 1993, if a member has at least ten (10) years of contributory service, regardless of his number of years of non-contributory service, his monthly annuity shall not be less than one hundred fifty dollars (\$150.00).

Benefits Formula

Annual Annuity Formula - 1.8% of the first \$6,600 of the final average salary multiplied by the years of credited service rendered before July 1, 1969, but not less than benefits in accordance with provisions in force before July 1, 1971; plus 1.8% of the final average salary multiplied by the years of credited service rendered after July 1, 1977; provided if a member contributed on only the first \$7,800 of each annual salary after June 30, 1969, each annual salary used in computing his final average salary shall be limited to a maximum of \$7,800.

For payment periods July 1, 1991 through June 30, 1992, total benefits payable under the above formula shall not be less than the total number of years of credited service multiplied by 1.85% of his final average salary except that benefits shall be 1.17% of his final average salary multiplied by his number of years of credited service rendered after June 30, 1986, for which no member contributions were made, as provided in A.C.A. Sec. 24-7-406.

For payment periods July 1, 1992 through June 30, 1993, the total benefits payable under the above formulas shall not be less than the total number of years of credited service multiplied by 1.95% of his final average salary, except that benefits shall be 1.23% of his final average salary multiplied by his number of years of credited service rendered after June 30, 1986, for which no member contributions were made.

For payment periods July 1, 1993, and later, the benefits payable under the above formula shall not be less than the total number of years of credited service multiplied by not less than 2.05% of his final average salary, except that benefits shall not be less than 1.29% of his final average salary multiplied by his number of years of credited service rendered after July 30, 1986, for which no member contributions were made.

For an increase(s) in benefit formulas to be effective, the regular annual actuarial valuation for the calendar year immediately preceding the effective date of the increase(s) shall be based upon an investment rate assumption of no more than eight percent (8%) and shall indicate that up to and including a twelve percent (12%) of pay employer contribution rate is sufficient to amortize all unfunded actuarial accrued liabilities for members over a period

of thirty (30) years or less. For any increase to be effective on a scheduled date, all increases scheduled for that date must collectively meet the minimum financial conditions.

On any scheduled date the increases do not collectively meet the minimum financial conditions, the Board of Trustees shall have the authority to delay the increase until the minimum financial conditions are met. Such delayed increase shall only be given on a July 1 and shall be the increases set out above.

Built-In Cost of Living Increase

Beginning July 1, 1983, and each year thereafter, all retirants who have been on the rolls 12 months or longer shall receive a 3% increase. This increase will be added each year as long as they remain on the benefit rolls, provided the increase on the Consumer Price Index for the calendar year immediately preceding July 1 has increased by as much as 3%. If the increase in the Consumer Price Index is less than 3%, the percentage increase in retirement benefits shall be the same as the percentage increase in the Consumer Price Index.

Fractional Years of Service Credit

Board policy allows fractional years of credit for service rendered after July 1, 1971, as follows:

0 - 29 days	---	None
30 - 59 days	---	1/4 year
60 - 89 days	---	1/2 year
90 - 119 days	---	3/4 year
120 days or more	---	1 year

For a member retiring before August 13, 1993, if any fractional part of a year in which the member retires is used in computing benefits, the effective date of benefits would be the following July 1. The member would have the option of forfeiting the fractional year. In this case, contributions that he made during the year in which he retired would be refunded to him upon request. If the member chose this option, his benefits would be computed on his service through the preceding fiscal year.

In no event shall such annuity begin earlier than July 1 next following a fiscal school year for which the member has signed an employment contract unless his contract is terminated with employer consent before the year of service is rendered.

For a member retiring after August 13, 1993, with an effective date other than July 1, who has not completed his employment contract and who wants to retain credit for service within the current fiscal year, his retirement date may be October 1, January 1 or April 1. No salary earned during the fiscal year may be used in the computation of benefits and no more than one-fourth (1/4) of a year of service credit may be given for each quarter worked, regardless of the number of days worked in a quarter. If a member has signed an employment contract for a fiscal year and has been paid in full for that year, benefits shall not become effective until the next July 1.

Should a member not want to retain his current year service credit, his retirement will be handled in the same manner as if he had retired before August 13, 1993.

POLICIES

1. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay upon which the member is making contributions also continues active membership.
2. Errors or changes not affecting computation of benefits - Effective July 1, 1971, if additional Teacher Retirement contributions are remitted by an employer for any retirant, and the additional salary does not result in an annual increase or decrease of at least \$5.00, we will transfer the contributions from the Members Deposit Account to the Employer's Accumulation Account without making any change in the records in the member's folder. These transfers will be made annually or as deemed necessary. If the additional salary does increase or decrease the retirant's benefits at least \$5.00 annually, we will recompute benefits and make the necessary changes in the member's records.
3. A member may cancel his application for retirement benefits any time prior to thirty (30) days after the later of: the effective date of benefits; or the signing of the Final Retirement Contract. The member shall notify the Teacher Retirement System of such cancellation in writing within the 30-day period, and he shall again become eligible for active membership in the system. This shall be in effect for the 1993-94 fiscal year and thereafter.
4. Terminal leave earned prior to the date of termination of employment does not change the date of termination, although a lump sum payment is made subsequent to the date of termination. The key to termination is the date the employee actually goes off the payroll. A lump sum terminal leave payment does not constitute salary or wages and such payment may not be included in reporting total salary or days of service and is not subject to Teacher Retirement deductions (Attorney General's Opinion #76-144).
5. Benefits are payable through the month in which the retirant's death occurs.
6. Annuity Options: Prior to the date the first payment of an annuity becomes due, but not thereafter, except as provided under item 7, a member retiring on age and service or disability may elect to receive his annuity provided in one of the following options:

Option 1: He may elect his annuity as straight life annuity payable as long as he lives. Upon his death the difference, if any, between his accumulated contributions, plus interest, and the amount paid in benefits, shall be paid to the beneficiary, if living; otherwise it will be paid to the estate.

Option A: He may elect the actuarial equivalent of his straight life annuity in a reduced annuity payable throughout his life and, upon his death, his reduced annuity shall be continued throughout the life of, and paid to, such person as he shall have nominated by written designation duly executed and filed with the Board of Trustees prior to the date of the first payment of his annuity becomes due. Such person must either be his spouse for not less than one year immediately preceding such first payment due date or another person, aged 40 years or older, receiving more than one-half support from the retirant for not less than one year immediately preceding such first payment date, provided the age 40 requirement shall not exclude designation as beneficiary a dependent child who has been ruled physically or mentally incompetent by an Arkansas court of competent jurisdiction (or by the Board).

Option B: He may elect the actuarial equivalent of his straight life annuity in a reduced annuity payable throughout his life and, upon his death, one-half of his reduced annuity shall be continued throughout the life of, and paid to, such person as he shall have nominated by written designation duly executed and filed with the Board of Trustees prior to the date the first payment of his annuity become due. Such person must be either his spouse for not less than one year immediately preceding such first payment due date, or another person, age forty (40) years or older, receiving more than one-half support from the retirant for not less than one year immediately preceding such first payment due date, provided that the age 40 requirement shall not exclude designation as beneficiary a dependent child who has been ruled physically or mentally incompetent by an Arkansas court of competent jurisdiction (or by the Board).

If a retirant who elected Option A or B and his beneficiary both die before he has received an annuity equal to the accumulated contributions standing to the retirant's credit in the Member's Deposit Account at the time of his retirement, the difference between his said accumulated contributions and the said total amount of annuities received by him shall be paid to such person or persons as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If no such designated person survives the retirant and his surviving beneficiary, such difference, if any, shall be paid to the estate of the survivor of the retirant and his beneficiary.

Option C: He may elect a reduced annuity payable throughout his life with the provision that if he dies before he has received 120 monthly annuity payments, the payments will be continued for the remainder of the period of 120 months and paid to each person or persons, in equal shares, as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If such designated beneficiary or beneficiaries predecease the retirant, the retirant may nominate a successor beneficiary or beneficiaries by written designation duly executed and filed with the Board. If no such designated beneficiary survives him, the annuity reserve for the remainder annuity payments shall be paid to the retirant's estate.

Prior to the signing of the Final Retirement Contract, the retiree shall name a beneficiary or beneficiaries and may name a contingent beneficiary or beneficiaries.

The Attorney General has ruled that a beneficiary of a retiree may not name a beneficiary to succeed him should he not survive to draw the remaining 120 payments under Option C. All beneficiaries or contingent beneficiaries must have been named by the retiree; otherwise, the money will be payable only to the estate of the retiree or survivor, whichever is applicable.

7. The death of a spouse or divorce or other marriage dissolution following retirement shall, at the written election of the retirant, cancel any optional plan elected at retirement to provide continuing lifetime benefits to such beneficiary and return the retirant to his single lifetime benefit equivalent, to be effective the month following receipt of his election by the system. A retirant who is receiving a single lifetime benefit and who marries after retirement may elect to cancel his single lifetime benefit and elect Option B providing continuing lifetime benefits to his spouse, provided such election is on a form approved by the system and is received by the system not earlier than the date of such marriage and not later than six months after such date; such election shall be effective the first day of the month following such receipt.
8. Effective February 7, 1991, the designated beneficiary of a retiree who chose Option 1 (straight life annuity) may elect to cancel the form of annuity in effect and elect Option A - 100% Survivor Annuity upon the death of a retirant on or after July 1, 1989, if the retirant died within one year following the effective date of retirement and the retirant was receiving a straight life annuity. Such election to change may be made only once and must be on a form approved by the system. The election form must be received by the system within thirty (30) days after the effective date of Act 51 of 1991, or within thirty (30) days of the death of the retiree, whichever is later. Such election change shall become effective the first day of the month following receipt of the election form by the system.
9. Authorization of the use of postmark date as the official date of a transaction: The postmark date may be used as the official date of a transaction when the use of the mails is the usual and customary method of communication for handling such transactions.
10. The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement under the provisions of the law.

EARLY INCENTIVE LAW
(Act 808 of 1987)

DEFINITION - An employee of a state agency who, on April 8, 1987, was an active member of the Teacher Retirement System and qualified to retire before January 1, 1988, under the Early Retirement Incentive Law of 1987 (Act 187 of 1987), could elect to become a member of the Public Employees Retirement System and have his credited service in the Teacher Retirement System transferred to the Public Employees Retirement System.

POLICIES

1. The employee will make the election to transfer to the Public Employees Retirement System on a form furnished by the system.
2. The transfer from the Teacher Retirement System to the Public Employees Retirement System will become effective on the date of retirement.
3. The Teacher Retirement System will certify to the Public Employees Retirement System a record of the employee's service credit in the Teacher Retirement System.
4. At the time of retirement, if the employee is a non-contributory member of the Teacher Retirement System, he will retire under the non-contributory provisions of Act 187 of 1987 and shall be entitled to a refund of employee contributions made since January 1, 1978, to the Teacher Retirement System.
5. At the time of retirement, if the employee was a contributory member of the Teacher Retirement System, he will retire under the contributory provisions of Act 187 of 1987.
6. For any employee who elects to transfer to the Public Employees Retirement System, that system will pay the monthly benefits.
7. The Public Employees Retirement System will certify monthly to the Teacher Retirement System the amount of monthly benefits paid and the Teacher Retirement System will transfer that amount to the Public Employees Retirement System.
8. Upon receipt of a death certificate from the Public Employees Retirement System for a retirant who chose straight life annuity and has a balance remaining in his account, the Teacher Retirement System will transfer the remaining balance in the retirant's account to the Public Employees Retirement System for refunding to the designated beneficiary or beneficiaries.

DISABILITY RETIREMENT

DEFINITION

Upon the written application by a member, or upon written application by his employing authority on behalf of the member, filed with the Board of Trustees, a member in employer service who has ten (10) or more years of credited service, and who has become or becomes totally and permanently physically or mentally incapacitated to perform the duties of his position covered by the Teacher Retirement System, as a result of a personal injury or disease, may be retired by the Board of Trustees; provided, that after a medical examination of said member made by or under the direction of the Medical Board, the Medical Board reports by majority opinion in writing to the Board of Trustees, that such member is:

- (1) Physically or mentally totally incapacitated for the further performance of duty,
- (2) That such incapacity will probably be permanent, and
- (3) That such member should be retired or
- (4) That such member should be retired under temporary disability retirement to be reconsidered at a specified time.

Such disability retirement shall be effective the first day of the month following the later of: his termination of active membership; or six months prior to the date written application is filed with the Board.

The annuity formula for computing disability retirement benefits is the same as for age and service retirement.

The Board of Trustees may require any disability retirant who has not attained age 60 to undergo a medial examination to be made by or under the direction of the Medical Board at least once each year during the first five (5) years following a member's retirement, and at least once in each three-year (3) period thereafter.

If a disability retirant becomes employed as a full time employee by an employer whose employees are covered by a State supported system or the University of Arkansas, his disability retirement shall terminate. His credited service and accumulated contributions at the time of his disability retirement shall be restored to his credit in the members deposit account, and he shall immediately again become a member of the System, if eligible. In no event shall a member be given service credit for the period in which he received a disability annuity. (Act 541 of 1977)

POLICIES

1. (Deferred provision under old law) - Disability protection continues for deferred members with 27 years of service if deferred status was effective before July 1, 1971.
2. (Deferred Provision) - Disability protection continues for deferred members, provided applicant's physician can present medical information to substantiate approval by the Medical Board that disability occurred while last employed in a position covered by the System.

3. (Active Membership) - The member must be an active member of this System when the disability occurs. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certified continuing employment. Leave of absence with pay, upon which the member is making contributions, also continues active membership.
4. (Death of an active member) - In the case of an active member who has made application for disability retirement and dies before he has signed his Final Retirement Contract, determination must be made by the System, on an individual basis, as to whether survivor benefits or disability benefits would be payable.
5. (Effective date of benefits) - In determining the date to be used for termination of active membership, as applied to the effective date of disability benefits, the last date of teaching is to be used. Paid sick leave, if any, would be included to extend the date of active membership and would be included to determine the days of service to be credited.
6. (Date of application) - The date of application for disability retirement benefits may be used to determine the effective date of age and service retirement benefits under the provisions of the law. The date of application for age and service retirement benefits may be used to determine the effective date of disability retirement benefits under the provisions of the law.
7. (Refunded service) - An active member of the System who applies for disability retirement is eligible to repay any refunded service, provided that the member repays to the System the amount withdrawn, plus interest, from the date of withdrawal to the date of final payment. (See repayment of refund section).
8. (Back Contributions) - An active member of the System who applies for disability retirement is eligible to pay contributions, and employer costs, plus interest, on service rendered in a covered position after July 1, 1937, on which no applicable contributions and employer costs have been paid and on which no service has been credited, provided he completes all requirements. (See Back Contributions section)
9. (Military service) - An active member of the system who applies for disability retirement is eligible to file proof of military service provided he completes the requirements established for military service. (See Military Service section)
10. (Reciprocal service)
 - (a) If a member has ten (10) or more years of creditable service in two or more reciprocal systems, he is eligible to apply for disability benefits from each reciprocal system.
 - (b) Eligibility for disability benefits is determined under the rules and regulations of each respective reciprocal system.

- (c) He shall be eligible for a refund of his accumulated contributions plus interest, if any, from any reciprocal system in which he does not qualify for disability benefits. Such refund shall not alter his eligibility for benefits from any other reciprocal system.
 - (d) His annuity for disability retirement payable by the preceding system shall begin the first day of the calendar month next following the month he filed his application for same with the preceding system but not prior to the date he leaves the employ of his last State employer.
11. (Minimum Benefits)* - A disability retirant shall not receive less than (1800.00 per year (contributory option) or \$1128.00 (non-contributory option).
 12. Disability retirees who are approved for only one year shall be reviewed one year from the effective date of benefits. Disability retirees who are disapproved for further disability annuities shall be removed from the payroll the earlier of: six months following the review date (one year from effective date of benefits) or the first of the month following return to full time employment.
 13. If a member is approved for disability retirement but continues to work, he/she must terminate employment at the end of the school year. If service is not terminated at that time, a new application must be submitted and Medical Board approval must be given, based on the new application.
 14. If a disability retirant returns to full-time employment and receives credited service but dies before he completes 120 days of creditable service, a determination must be made as to whether survivor or disability benefits will be payable.
 15. If a member applies for disability retirement and is disapproved, he/she has the right to appeal that decision. If a new application has been filed for the appeal and is approved, the effective date of benefits will be determined by the date of the filing of the original application.

Amended September 20, 1979 pursuant to Acts 656 and 766 of 1979.

DEFERRED RETIREMENT

DEFINITION

An inactive member with 10 or more years of credited service may retire upon or after attaining age 60, provided he is not employed in a position covered by another retirement plan which is supported wholly or in part by state contributions.

An inactive member with 25 or more years of credited service may retire at age 55 with a reduction in benefits. The reduction shall be as provided in A.C.A. 24-7-702 as amended.

Benefits are effective the first of the month following the later of: the date the member's application is received in the Teacher Retirement System office or the deferred annuity age. Deferred annuity age is age 55 for members terminating active membership with 25 or more years of credited service and age 60 for all other members eligible for a deferred annuity.

The member shall receive, or shall have paid on his behalf, benefits in accordance with the benefit program in effect at the time of retirement.

POLICIES

1. A.C.A. 24-7-712 applies to anyone who has qualified for service retirement and who does not re-enter service again before he applies for benefits.
2. Deferred members acquire survivor, disability and early retirement privileges after rendering one year of service credit subsequent to re-entering the Teacher Retirement System.
3. A person who leaves a position covered by the Teacher Retirement System and is employed by a reciprocal system and files a reciprocal service agreement becomes a deferred (inactive) member and is entitled to the benefit formula in effect at the time of retirement, exclusive of any minimum amounts. Benefits shall be based on the highest final average salary furnished by the respective reciprocal systems involved.

EARLY RETIREMENT

DEFINITION

Early retirement with a reduction in the benefit formula allows an active member who has at least 25 years of credited service but who has not attained age 60 to retire early on a reduced annuity.

Early retirement (deferred) allows an inactive member with 25 or more years of credited service to retire with a reduction. Effective date of benefits for inactive member is the first of the month following the later of: the date the member's application is received in the Teacher Retirement office or age 55.

DEATH AND SURVIVOR BENEFITS

DEFINITIONS

1. Lump-sum death benefits of the deceased member's contributions plus interest are payable if no survivor benefits are payable. If the spouse is qualified for survivor benefits, he may request the lump-sum payment rather than monthly benefits, provided no dependent children qualify for monthly benefits from the account. Survivor benefits are payable to certain dependents upon the death of an active member with five (5) or more years of credited service including credited service for the year immediately preceding his death.
2. A dependent child shall be defined as:
 - (A) A natural child of the member;
 - (B) A child that has been made a dependent of the member by adoption or other court action prior to the time of the death of the member;
or,
 - (C) A child under the permanent care of the member prior to and at the time of death of the member, which permanent care status shall be determined by evidence satisfactory to the Board.
3. Fifty per cent (50%) dependency for survivor benefits for parent is defined: If the annual income of the parent (parents) was not greater than the amount contributed by the deceased member for his support, the parent is considered 50% dependent for financial support.

POLICIES

1. Survivor Benefit Payments: Separate payments shall be made to the spouse and to each child, rather than one lump-sum check payable to the spouse each month.
2. 50% Dependency: If the surviving parent did not have income exceeding the amount contributed to his support by the deceased member during the preceding calendar year, then for the purpose of the plan, he would be considered 50% dependent.
3. Specifics in the law dealing with the rights of the spouse are construed to take precedence over designated beneficiaries; provided that if at the time of the member's death there are no dependent children and the surviving spouse who would otherwise receive the annuity under this paragraph has filed with the system a signed waiver of his right to the annuity and that waiver was in effect at the time of the member's death, a lump sum distribution of the deceased member's accumulated contributions, plus regular interest, may be made to any beneficiary or beneficiaries so designated by the member before death.
4. Dependent child: Under part 2 (C) of the definition of a dependent child, the Board requires that the child must:

- (A) Meet requirements and qualify for survivor benefits under social security;
 - (B) Have been claimed as a dependent by the deceased member on his federal income tax for the immediately preceding calendar year; and
 - (C) Have lived in the same household for at least two (2) years immediately preceding death of the member, unless the child is under two years of age.
 - (D) A child identified as a dependent will remain so until his death or his marriage or his attainment of age 18, whichever comes first; provided the age 18 maximum shall be extended as long as the child continues uninterruptedly being a full time student at an accredited secondary, or post secondary school (vocational technical school) or college or university, but not beyond his attainment of age 23; or as amended by Act 549 or 1975 [A.C.A. 24-7-710 (c)]. A full time student is defined as one carrying 12 semester hours (eight trimester hours) in college or four hours per day in a secondary or post secondary school.
5. If a surviving dependent child, who has obtained or passed age 18 (and drawing benefits) becomes temporarily physically or mentally incompetent, the Teacher Retirement Board can continue paying benefits upon receipt of a doctor's certification that the child is not competent to attend school for the period of one semester (term). At the beginning of the next semester or term, A.C.A. 24-7-710 (c) will be effective.
 6. Certification of attendance in an accredited school may be made by the dependent child in the absence of a parent or legal guardian (after the dependent child reaches age 18).
 7. Survivor benefits in case of death of disability applicant: In the case of an active member who has applied for disability retirement and dies before he signs his Final Retirement Contract, determination must be made on an individual basis as to whether survivor benefits will be payable or whether the case will be processed for disability retirement.
 8. Covered Salary: For the purposes of determining survivor benefits, covered salary shall be that salary on which the member would have made contributions had he lived through the end of the fiscal year as evidenced by the contract salary or \$7,800 maximum.
 9. Payments of salary that are made after the death of a member, but have been earned prior to death are subject to Teacher Retirement deductions and reported in total salary and days of service on the D-2a. Payments made by an employer subsequent to the death of an active member that had not been earned but are made as a gratuity shall not be included as salary and are not subject to deductions. A lump sum terminal leave payment does not constitute salary or wages and such payment may not be included in reporting total salary or days of service and is not subject to Teacher Retirement deductions.

10. Active membership will continue beyond a fiscal year in which credited service was rendered, provided the employing institution certifies continuing employment, and leave of absence with pay upon which the member is making contributions also continues active membership.
11. If death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive more as a percent of the deceased member's final pay or as a minimum dollar amount than the largest amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with any other reciprocal system that has a minimum benefit provision in its plan. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratios of such service in such system to the total service in all reciprocal systems.
12. When the member elects to transfer from the Teacher Retirement System to the Public Employees Retirement System under the provisions of Act 793 of 1977 the Public Employees Retirement System becomes the system responsible for determining, upon the death of a member, a survivor's eligibility for a refund of the member's account, or monthly survivor benefits.

REPORTING

DEFINITIONS

1. "Salary" means the recurring remuneration paid an employee for personal services rendered by the member in a position, or positions, covered by the system. It includes remuneration received from all covered employers during a school fiscal year.
2. "Covered salary" means the portion, or all, of an employee's salary which is covered by the system. For each member who first became a member before July 1, 1971, his covered salary for each year after June 30, 1969 is the first \$7,800 of his total annual salary for all covered employment unless he has elected to make contributions to the system on his full salary. For each member who first became a member after June 30, 1971, or has elected to make contributions on full salary, his covered salary is his full salary for all covered employment.
3. "Covered Employer" means each employer for whom a member renders service in a covered position.

POLICIES

1. In determining "salary," no consideration shall be given to (a) any non-recurring single sum payment paid by an employer or (b) any employer contributions to any employee benefit plan, except cafeteria plans as defined in A.C.A. 21-5-90, or (c) any other unusual or non-recurring remuneration or stipends paid by an employer or other educational agency which are five hundred dollars (\$500) or less in amount, but not cumulative, except that money which is in lieu of remuneration and which is used by an employer to purchase a qualified tax sheltered annuity or a life insurance policy for an employee shall be considered as "salary" for system purposes. If an eligible employee of a government entity, as defined in Act 810 of 1987, elects to participate in a cafeteria plan which meets the requirements of the Federal Internal Revenue Code, the amount by which such employee's salary is reduced pursuant to a salary reduction agreement, as defined in Act 810 of 1987, shall continue to be included as compensation for the purpose of computing retirement benefits. Employees participating in the contributory plan will pay 6% of the total salary earned before such reductions are made, and employers will report the total salary earned before any reductions.
2. An employee who is receiving remuneration under both a regular contract and a purchased contract or under both a regular contract and a contract won through litigation shall have only the greater of the two amounts considered as "salary" for system purposes.
3. Should an employee make a charitable donation or return any part of his salary to his employer, the amount of his recurring remuneration otherwise useable as "salary" shall be reduced by such amount or amounts to arrive at his "salary" for system purposes.
4. The system will not knowingly accept contributions that have been withheld from payments that do not meet the criteria for salary in

policies 1-3. In case of doubt, the facts will be determined and the board will decide whether or not payments reported as salary can be accepted as salary for retirement purposes. Contributions based on payments that are not salary for retirement purposes will be refunded as promptly as possible.

5. If a member is making contributions to the system on a covered salary of \$7,800 rather than his full salary, 6% of his pay for each pay period must be withheld until withholding amounts to 6% of \$7,800 (\$468). Withholding of this amount shall not be spread over a longer time than it takes to withhold 6% of \$7,800.
6. A member who left covered employment before July 1, 1985, and who had annual compensation of \$7800 or less, shall upon return to covered employment, have full salary considered for retirement purposes.
7. In order that each member of the Teacher Retirement system may receive credit for his days of service, his covered salary and his contributions on a timely basis, each employer shall report to the System on the following schedule:

<u>Form No.</u>	<u>Title of Report</u>	<u>Data & Enclosures Required</u>	<u>Date Due</u>
D-1	Employees Monthly Remittance Report	(1) Name and account no. of employing unit (2) Date Payroll period ended (3) Total employee contributions due System (4) List and total of checks enclosed	From Public Schools 15th day of the following month From colleges and state agencies - 15 days after end of each pay period
D-1a	Employers Monthly Remittance Report	(1) Name and account no. of employing unit (2) Type of employer and source of funding (3) Date Payroll period ended (4) No. of employees in positions covered by TRS (5) Total assessable salaries (6) Total employer contributions (7) List and total of checks	For Public Schools 15th day of the following month For colleges and state agencies 15 days after end of each pay period

<u>Form No.</u>	<u>Title of Report</u>	<u>Data & Enclosures Required</u>	<u>Date Due</u>
D-2a	Quarterly	(1) Social Security No. of each member employed during quarter (2) Name of each member (3) Salary of each member by source for quarter (4) Total salaries of each member (5) Days worked during quarter by each member	15 days of the following month

8. Each of the above reports must be on forms that are either furnished by the Teacher Retirement System or approved by the System.
9. The employer's cost for the local school district with Federal Programs, institutions of higher learning, and other State agencies, shall be the State's percent of the next preceding fiscal year to be applied to the assessable salary for the current fiscal year.
10. Four hours shall be required as the minimum for a "day of service" for all employees. For part-time employees who do not work full days, total the number of hours or periods worked in a school year and divide by four (4) to determine the number of days to be credited as a year of service or as a fraction of a year.
11. Kindergarten teachers who are employed by a school district shall be compulsory members of the Teacher Retirement System. The local school district will be responsible for employer contributions on salaries paid kindergarten teachers when the salaries are financed from any source other than the Public School fund allocation.
12. Should an overpayment or an underpayment of contributions be reported from the local level in an amount of more or less than \$5.00, it shall be handled in the following manner by this office.:
 - (a) If the underpayment of less than \$5.00 was reported from the local level, contributions will be credited to the member's contribution account, and no attempt will be made to collect the difference of this underpayment.
 - (b) Should an overpayment of contributions of less than \$5.00 be reported from the local level, no refund of this amount will be made to the member, except upon written request from the member. The total amount reported by the employing authority shall be credited to contributions.
13. 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 regular interest beginning with the subsequent fiscal year; provided further, in no case shall a member be

given credit for service rendered until any contributions and interest due from each are paid in full.

14. For each fiscal year beginning July 1, 1993, or later, the dollar amount of state employer contributions to be paid during the fiscal year shall be the lesser of the result of multiplying the applicable percent of active member payroll for the fiscal year by the total covered salaries during the fiscal year, including any required prior year reported salaries of members whose positions are financed by the State Public School Fund, taking the result to the nearest dollar, or the amount appropriated by the General Assembly during each biennium.

Penalties for Late Remittances

1. Effective July 1, 1993, any participating employer failing to remit required moneys to the system by the fifteenth (15th) day of the month in which due shall have a penalty of six percent (6%) interest annually imposed on the moneys due.
2. Effective July 1, 1993, any participating employer failing to file with the system by the fifteenth (15th) day of the month in which due the required reports shall have imposed a penalty of \$150.00.
3. The moneys and retirement reports due shall not be considered late if received by the fifteenth (15th) day of the month or are postmarked no later than the fourteenth (14th) day of the month in which due.
4. If the penalties are not received by the last business day of the month in which due, the amounts due shall be transferred from any moneys due the participating employer from the State Treasurer and Department of Education as provided in Sec. 19-5-106(a)(5) of the Arkansas Code.

REFUNDS

DEFINITIONS

1. "Accumulated Contributions" means the total of all amounts contributed by a member and standing to his credit in his individual account in the members deposit account, together with regular interest credited thereon.
2. "Regular Interest" means such rate or rates per annum, compounded annually, as the Board shall from time to time adopt.

POLICIES

1. Should an overpayment of contributions of less than \$5.00 be reported from the local level, no refund of this amount will be made to the member, except upon the written request from the member. The total amount reported by the employing authority shall be credited to contributions.
2. On refunded contributions, the rate for all interest credited before June 30, 1984 is three percent, compounded annually, after the first year of contributions. The rate of interest credited on and after June 30, 1984 is six percent, compounded annually, after the first year of contributions. Interest shall be computed on each member's individual account as of June 30 each year by multiplying the balance in the member's individual account as of July 1 (including all contributions and interest credit from previous years) plus one-half his contributions for the year ending on June 30 by three percent.
3. Interest is not paid on contributions made in the year in which a refund is paid.
4. On and after June 30, 1984, the Board of Trustees shall annually set the rate of interest during the first quarterly meeting of the Board, based on the reports of the actuary and the investment counsel.
5. Any members receiving a refund, who have previously received a refund and repaid the contributions shall be refunded the 6% purchased interest paid on such refund. This same policy shall be applicable to interest paid on purchase of in-state service, out-of-state service, and military service.
6. Effective May 19, 1992, refunds of contributions will be made within six months from the date of receipt of the written application in the Teacher Retirement System office.
7. Certification of the amount of contributions to be refunded may be made to a lending agency (bank, etc.) upon written request by the members. Refunds must be made to the member as payee, but may be sent to the lending agency if authorized by the member.
8. Employers are responsible for the accuracy of information on salaries and contributions that they certify to the system on refund

applications. If information certified by an employer causes the system to overpay a refund, and if the system is unable to secure reimbursement of the overpayment from the member receiving the refund, the employer shall reimburse the system the amount of such overpayment.

9. A refund of contributions forfeits credited military service. Repayment of the refund plus interest reestablishes the forfeited military service. If military service was not credited a member prior to the refund of his contributions, repayment of the refund is not necessary to establish military service credit, provided the member meets the requirements listed above.
10. Beginning January 1, 1993, should a member, or spouse, if the member is deceased, become eligible to receive a refund of contributions and elect to make a direct rollover of a distribution to an eligible retirement plan of all or part of his eligible rollover distribution, the amount shall be paid to the trustee of the eligible retirement plan.

PART I

MILITARY SERVICE RENDERED PRIOR TO JULY 1, 1973
WWII, KOREAN, VIETNAMDEFINITION

"Compulsory military service" means active military duty rendered between July 1, 1937, and July 1, 1973, by a member who was not active member at the time of entry into such Armed Forces but was a member at the time proof of service was filed, who completed 10 years of credited service exclusive of any credits for military service.

POLICIES

Military service rendered before teaching service shall be subject to the following limitations:

1. Military service was rendered not earlier than July 1, 1937, and entry date was not later than June 30, 1973.
2. Military service for credit shall not exceed 5 years and the years to be credited shall be closest to teaching service.
3. A member who entered the Armed Forces of the United States during any period of compulsory military service is only eligible for credited service based on his initial enlistment. Any military service rendered by virtue of re-enlistment or voluntary extension of original enlistment is not considered compulsory and shall not be allowed as credited service.

4. Certification

Form M-1 for proof of military service filed after July 1, 1969, stipulates that military service can be established provided the member is not receiving, or eligible to receive, retirement benefits for active duty, excluding disability, from any other source. The member will be required to recertify this statement at the time he retires.

5. Such period of military service credit shall be based on 120 days of service rendered during a fiscal year, July 1 through June 30. Fractional years of service cannot be credited until after July 1, 1971, as specified in fractional years of service as discussed in the Membership Section. (See Membership)
6. For military service, 30 days shall be considered a month. For borderline cases, the actual number of days in the month shall be counted.
7. A refund of contributions forfeits credited military service. Repayment of the refund, plus interest, re-establishes the forfeited military service. If military service was not credited a member prior to the refund of his contributions, repayment of the refund is not necessary to

establish military service credit, provided the member meets the requirements listed under Items 1 through 6 above.

8. If a member who has been given credit after July 1, 1986, for free military service retires with both CP and NCP service credit, his military service credit shall be divided between the CP and NCP at retirement in the same proportion that his CP service and his NCP service bear to total active service, notwithstanding the fact that some of the military service shall be credited as non-contributory service before July 1, 1986.
9. Military service may be established at any time after entrance into the Teacher Retirement System but official crediting shall be after completion of 10 years of membership credit, excluding military service credit.
10. If mandated by federal law, armed service not otherwise creditable shall be creditable, provided the member pays the employee and employer contributions required by the System, plus regular interest from the date of discharge from active duty until paid in full.
11. Military service rendered prior to July 1, 1971 can be combined to count as a year, provided:
 - a) The minimum number of days to be combined is 120.
 - b) The maximum number of fiscal years to be combined is two (2).
 - c) The fiscal years combined must be at the beginning and the end of the creditable military service and a part of that tour of active duty.
 - d) The combined military service must have been during fiscal years in which the member did not receive credit for a year of teaching service.
 - e) Such military service shall be credited in accordance with Teacher Retirement policies and procedures.

PART II

MILITARY SERVICE THAT INTERRUPTS TEACHING SERVICE

DEFINITION

Compulsory military service credit for a member means military service rendered beginning July 1, 1937, through June 30, 1973; provided, he returns to the System the amount, if any, he may have withdrawn when he entered or while in such armed service, plus interest, from the date of withdrawal to the date of repayment.

POLICIES

1. Compulsory Military Service - Any duty served as military obligation, including active duty service in the National Guard or Reserve.
2. A member whose military service interrupted teaching service is not required to be an active member of the System at the time he files proof of his military service.
3. A member who entered the Armed Forces of the United States during any period of military service is only eligible for credited service based on his initial enlistment. Any military service rendered by virtue of re-enlistment or voluntary extension of original enlistment is not considered compulsory and shall not be allowed as credited service.
4. An active member who did not withdraw his contributions and enters military service may receive credit for such military service up to five years and his teaching (membership) service credit and his military service credit shall be immediately reactivated upon such return to membership. If such member did receive a refund of contributions, his refund must be repaid in full before refunded service and military service may be credited. A member must have 10 years of Arkansas credited membership service before his military service may be used in the computation of benefits.
5. Military service after July 1, 1971, can be credited in fractions of years in the same manner as teaching service. (See Membership)
6. Certification

Form M-1 for proof of military service filed after July 1, 1969, stipulates that military service can be established provided the member is not receiving, nor is he eligible to receive, any military service retirement pension for active duty, excluding disability payments, from any other source. Members must certify this statement at the time credit for military service is established, and he must recertify the same at the time he retires.

PART III

PURCHASE OF MILITARY SERVICE UNDER ACT 573 OF 1975
AS AMENDED BY ACT 1098 OF 1993DEFINITION

Effective August 13, 1993, any person who is a member or former member of a state-supported retirement system may purchase up to five (5) years of credited service in the System for military service prior to becoming a member of the state-supported retirement system.

For the purpose of purchasing military service credit - Military service rendered is defined to be any active duty service as military obligation including active duty service in the National Guard or Reserve.

POLICIES

1. Military service rendered prior to July 1, 1971, will not be credited unless it is for a full year as defined in terms of the number of days necessary to receive credit for a year of membership service (120 days rendered during a fiscal year - July 1 through June 30. Thirty (30) days shall be considered a month). Military service after July 1, 1971, can be credited in fractions of years in the same manner as membership service.
2. Effective August 13, 1993, the computation for the purchase of military service under Act 573 of 1975, as amended by Act 1098 of 1993, shall be the rate of employee contributions required on the salary earned, or the maximum assessable salary, for the first year of membership service credit, and the rate of employer contributions in effect at the time first eligible to purchase the military service, excluding refunded service. Interest will be figured from the eligibility date (six (6) months after completion of ten (10) years of membership service credit) or January 1, 1976, whichever is later.
3. A person may contract to purchase one (1) year at a time if he so chooses. The year or years to be purchased shall be closest to member service. He may make partial payments if the amount due is \$300 or greater.
4. Eligibility to purchase military service credit shall be subject to the following conditions:
 - a) Any person who is now or was in the past a member of a reciprocal system and has ten (10) years of combined credited membership service, or
 - b) A member of the Teacher Retirement System with ten (10) years of membership service credit.
 - c) Must have received an honorable discharge.
 - d) No more than five (5) years may be purchased.

- e) Total military service credit, including purchased military service, cannot exceed five (5) years.
- f) Member cannot purchase identical service in more than one retirement system.
- g) There will be no interest on these contributions if the service is purchased:
 - 1) Before January 1, 1976, or
 - 2) Within six (6) months after he becomes eligible.
- h) Member must pay employee and employer contributions and interest.
- i) The member is not receiving and will not be eligible to receive federal military service retirement pay (other than disability) based upon nineteen (19) or more years of active duty.

5. Effective July 1, 1986, all purchased military service credit shall be counted as contributory service and benefits based on this service shall be computed as contributory service.

6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

PURCHASED MILITARY AND RECIPROCITY

POLICIES

1. The cost to purchase military service is based on the member's contributions at the time he received credit for a full year of service in the system, plus the employer contribution rate in effect at the time he first became eligible to purchase the military service.
2. If the member purchasing military service has reciprocal service, the cost is based on the salary and contribution rate in effect at the time he joined the system in which he is purchasing the military credit, plus the employer contribution rate in effect at the time he first became eligible to purchase the military service.
3. If the member has 10 years of reciprocal service, he may purchase military service with the system of his choice.
4. All monies paid for the purchase of military service shall be credited to the member's deposit account.
5. Any member not receiving federal military service retirement pay, excluding disability, based upon nineteen (19) or more years of active duty is eligible to purchase his military service.
6. Military service purchased while a non-contributory member will be considered contributory service and will be figured in the computation of benefits as contributory service.

FREE MILITARY SERVICE UNDER RECIPROCITY

POLICIES

1. The policies covering free military service credit to a member of the Teacher Retirement System apply to free military service credit under reciprocity.
2. Crediting free military service when Teacher Retirement is the preceding system:
 - a) Military service credit can be restored if it was credited while the applicant was a member of the Teacher Retirement system and he repays his refunded service in full.
 - b) Military service can be credited in the Teacher Retirement System if it interrupted teaching service provided he has 10 years of credited service in the System.
3. Military service credit can be purchased under Act 573 of 1975, as amended, provided the applicant does not have military service credit under another retirement system.
4. Military service credit may be used in the computation of benefits if the member does not have military service credit under another retirement system.
5. Recertification of military service credit will be required for all service credited after 1969.

CREDITING OF MILITARY SERVICE UNDER ACT 793

POLICIES

1. Active members of the TRS may establish military service credit in the TRS under the same regulations listed in the Policy Manual regarding military service, provided they do so before they transfer membership to the PERS. Once membership is transferred, they are no longer eligible to do this.
2. If a member transfers membership before completing the ten-year requirement, he would be disqualified from establishing free military service credit.
3. If a member has at least ten years of combined service, military service can be purchased in PERS.
4. If a member who has established free military service credit has fewer than ten (10) years of credited membership service remaining in the Teacher Retirement System after transferring membership to the Public Employees Retirement System under Act 793, his free military service credit shall be cancelled.

REPAYMENT OF REFUNDS

DEFINITION

"Repayment of refund" means repayment to the system of contributions that have been withdrawn. Withdrawal of contributions forfeits credited service. Service credit can be restored by repayment of a refund.

POLICIES

1. To be eligible to repay a refund, a person must be an active member of the system. A person who has received a refund may re-establish active membership by rendering one or more years of credited service after receipt of his refund.
2. To repay a refund requires repayment of the entire amount withdrawn, plus 6% regular interest from the date of withdrawal to the date of final payment. If a member has received more than one refund, repayment must be made in inverse order.
3. Effective January 1, 1988, all purchases and payment shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

BACK CONTRIBUTIONS

DEFINITION

Back Contributions - Contributions payable by an active member for service rendered in a covered position after July 1, 1937 on which no applicable contributions have been paid and on which no service has been credited.

POLICIES

1. Back Contributions - After July 1, 1971, the number of days required to establish a year of service since 1937 is 120 days. Fractional credit may also be established only for service rendered after July 1, 1971.
2. Credit for back service established before July 1, 1984, may be purchased by the member paying to the system the employee contributions, plus regular interest, from the time the service was rendered until contributions are paid in full.
3. Effective July 1, 1984, back service credit may be established only by paying both the employee and employer contributions, plus regular interest, from the time the service was rendered until contributions are paid in full.
4. Policies 2 and 3 shall be applicable to:
 - a) Service credit being established by a person who has elected to exclude himself from membership under A.C.A. 24-7-501(b)(1).
 - b) Any other eligible service for which no service credit has been established.
 - c) A member who is making contributions on the first \$7,800 of his salary may elect to change to full salary under the following conditions: If such election is made between July 1, 1973 and June 30, 1984, the member must pay to the system the difference plus regular interest between full salary contributions and contributions based on \$7,800 retroactive to July 1, 1969 or the actual date of employment, whichever is later. If such election is made July 1, 1984 or later, the member must pay to the system both the added member contributions and the added employer contributions which would have been paid to the system had the member's full salary always been covered, plus regular interest from the dates the added contributions would normally have been received by the system to the date of such actual payment.
5. Effective July 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required. Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

6. No back contributions will be billed on service before July 1, 1971 unless payment of such contributions will add to a member's service credit.
7. For service established June 1, 1989, or after, no back contributions will be billed on service unless payment of such contributions will add to a member's service credit.
8. If a member does not purchase at one time all of his back service credit, he must purchase the remainder in inverse order.

PURCHASE OF OUT-OF-STATE SERVICE

DEFINITION

Out-of-state service means service rendered in any state except Arkansas in a position which would have been covered by the System had the service been rendered in the State of Arkansas.

POLICIES

1. Before July 3, 1989, in order to purchase out-of-state service, such service rendered in any state except Arkansas must have been for a minimum of 120 working days in a fiscal year. In computing the cost to purchase out-of-state service, 19.50% of the annual salary earned for the first full year of Arkansas teaching service will be used, together with regular interest from the end of that year of service to the date of final payment.

On and after July 3, 1989, an active member who had both in-state and out-of-state service in one (1) school year may contract with the Board for one (1) year of service to be credited as service in the same manner as provided for out-of-state service credited before July 3, 1989, if the service meets the following additional requirements:

- a) The combination of in-state and out-of-state service rendered in the fiscal school year was not fewer than one hundred twenty (120) days; and
 - b) The person had not less than thirty (30) days of out-of-state teaching service in the school year and not less than thirty (30) days in-state teaching service in the fiscal school year.
2. A year of out-of-state service shall be for a minimum of 120 days, except that for out-of-state service purchased on or after July 3, 1989, in-state and out-of-state service rendered in the same fiscal year may be combined to reach the required 120 days, provided the member had at least 30 days of both in-state and out-of-state service credit. Twenty (20) days shall be considered a month.
 3. Salaries for purchased out-of-state service are not recorded. In computing final average salary, only Arkansas salaries shall be used in the determination of five highest years.
 4. Purchased out-of-state service shall be credited to the year in which it was rendered and cannot be purchased if prior to 1937-38.
 5. Effective July 1, 1986, all purchased out-of-state service shall be counted as contributory service.
 6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

7. If a member does not purchase, or is not eligible to purchase, all of his out-of-state service, he must purchase the remainder in inverse order.
8. Beginning July 1, 1991, an active member may purchase service rendered outside the state during a period of employment with an education coordinating council.
9. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.

PURCHASE OF OVERSEAS SERVICE

DEFINITION

Overseas service means service rendered in an American-type overseas school sponsored and approved by either the United States Department of State or the Department of Defense.

POLICIES

1. In order to purchase overseas service, such service must be for a minimum of 120 working days in a fiscal year. In computing the cost to purchase overseas service, both employee and employer costs must be paid on the salary earned in the overseas school. This total cost may be paid by the member or by a combination of the member and his employer. If contributions were not paid to the system promptly, regular interest shall be added to the delayed contributions from the date of service to the date of payment in full.
2. A year of overseas service shall be for a minimum of 120 days. Twenty days shall be considered a month. The maximum overseas service which may be credited to a member is ten years.
3. Salaries for purchased overseas service will be recorded for the years being purchased. If these salaries are among the highest five salaries, they may be used in the computation of retirement benefits.
4. Purchased overseas service shall be credited to the year in which it was rendered.
5. Effective July 1, 1986, all purchased overseas service shall be counted as contributory service and benefits based on this service shall be computed as contributory service.
6. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

7. If a member does not purchase, or is not eligible to purchase, all of his overseas service, he must purchase the remainder in inverse order.

SABBATICAL LEAVE

DEFINITION

"Sabbatical leave" means leave of absence from a school from and after June 28, 1985, in order to obtain an advanced degree at an institution of higher learning, or to fulfill the requirements of a scholarship or grant.

POLICIES

1. In order to purchase sabbatical leave service such service must be for a minimum of 120 working days in a fiscal year. In computing the cost to purchase sabbatical leave service, the highest annual salary earned at the time of purchase and the total of the member and employer contributions in effect during that fiscal year, plus regular interest from the beginning of the fiscal year in which the leave is taken until payment is made in full, will be used.
2. A year of sabbatical leave service shall be for a minimum of 120 days. Twenty days shall be considered a month.
3. Purchased sabbatical leave service shall be credited to the year in which it was rendered.
4. If a member does not purchase, or is not eligible to purchase, all of his sabbatical leave service, he must purchase the remainder in inverse order.
5. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

PURCHASE OF PRIVATE SCHOOL SERVICE

Definition

Private school service means service rendered in any private school or agency which is recognized by the State Department of Education for the issuance of teaching certificates.

Policies

1. From and after January 1, 1990, an active member may contract with the Board for the purchase of private school service under the following conditions:
 - a) Service credit shall be limited to service for which no benefit could be paid by another system similar in purpose to this system, except social security, if the member left on deposit his contributions to that system.
 - b) Service credit shall be limited to three (3) years.
2. The member shall pay to the system for each year of service credit being granted nineteen and one-half percent (19.5%) of the annual salary received by him for his first full year of state teaching service, together with regular annual interest from the end of that year of state teaching service to the date of payment. If the payment is not made in a single sum at the time the contract is made, regular interest shall be added from the date of the contract to the date of payment. The payment shall be credited to the member's account in the member's deposit account and shall be in addition to regular member contributions thereto.
3. The private school service shall not become credited service under this system until :
 - a) The member payments have been paid in full; and
 - b) The member has established ten (10) or more years of credited service exclusive of private school service. Should a member cease to be an active member before the private school service has been established as system credited service, the member payments contributed shall be refundable, together with regular interest thereon.
4. An active member who had both public and private school service in one (1) school year may contract with the Board for one (1) year of service to be credited as service, if the service meets the following additional requirements:
 - a) The combination of public and private school service rendered in the fiscal school year was not fewer than one hundred twenty (120) days; and

- b) The person had not less than thirty (30) days of private school teaching service in the school year and not less than thirty (30) days public teaching service in the fiscal school year.
- 5. A year of private school service shall be for a minimum of one hundred twenty (120) days, except as outlined in #4 above. Twenty (20) days shall be considered a month.
- 6. All private school service shall be counted as contributory service.
- 7. Effective January 1, 1988, all purchases and payments shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

- 8. If a member does not purchase, or is not eligible to purchase all of his private school service, he must purchase the remainder in inverse order.

RETIRANTS RETURN TO SERVICE

Rescission of Retirement (Act 39 of 1989)

DEFINITION

A retirant under Arkansas Code 24-7-201 through Arkansas Code 24-7-713, and any amendments thereto, who has not attained age seventy-two (72) may rescind his decision to terminate active membership and may become an active member upon reemployment.

POLICIES

1. A retirant rescinding his decision to terminate active membership shall file a written rescission on a form furnished by the Board.
2.
 - a) For any school year in which a retirant takes a position in a public school, the rescission form shall be filed with the Teacher Retirement System office on or before June 30 of the previous year.
 - b) Should a retirant fail to meet the deadline set out in 2(a), the school district may file an appeal for a waiver of the required filing date.
3. The rescission shall become effective the first day of the calendar month next following the date the written rescission is received by the Board.
4. Any annuity benefit formerly due from the System shall be terminated upon the effective date of the rescission.
5. Upon rescission, the former retirant shall be considered an active member who shall accrue additional credited service subject to the following conditions:
 - a) If reemployment terminates before the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, the former retirant shall become a retired member and the payment of annuity shall resume upon such termination. The former retirant shall be entitled to receive any member contributions which may have been made during the reemployment period.
 - b) If reemployment terminates after the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, upon termination of reemployment, the former retirant shall become a retired member and receive an annuity which has been recalculated according to the benefit formula in effect at the time of such termination of reemployment.
6. Effective July 1, 1993, if a retirant has previously rescinded his decision to terminate active membership and become an active member by reemployment, but after becoming a retirant and before rescinding had

been employed in a position covered by the System, as an active member he shall be eligible to purchase such previous service by:

- a) Fulfilling the requirements set out in Sec. 24-7-717(e)(2);
- b) Returning to the System all retirement benefits received during such employment, together with regular interest from the date of receipt of such payments to the date of repayment in full; and
- c) Paying to the System both member and employer contributions for the previous service rendered after becoming a retirant but before rescinding, plus regular interest from the date of reemployment to the date of payment in full.

Conditions Under Which A Retirant May Return To Teaching Or Other Employment Other than By Rescinding His Retirement Under Act 39 of 1989

AGE AND SERVICE RETIRANT:

1. If a retirant returns to service without rescinding his retirement under Act 39 of 1989, benefits may continue to be paid up to certain limits. The amount a retirant may earn and still collect full benefits depends upon whether he is age 65 to 69 or under age 65.
 - a) Effective July 1, 1992, a retirant who is age 65 to 69 may earn up to twice the Social Security earnings limitation amount without affecting his ATRS benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$3 earned above the earnings limitation amount.
 - b) Effective July 1, 1992, a retirant who is under age 65 may earn up to twice the Social Security earnings limitation amount without affecting his ATRS benefits. If his ATRS covered earnings exceed that amount, \$1 in benefits will be deducted for each \$2 earned above the earnings limitation amount.
 - c) Employers will report quarterly all retirants who have returned to full- or part-time employment in an ATRS covered position, and who have not rescinded their retirement. The reporting form will be furnished by ATRS.
 - d) Unless the system is directed otherwise in writing, the benefits of those retirants exceeding the earnings limitations will be reduced in the proper amount in the fiscal year following the fiscal year in which the earnings limitation is exceeded. A retirant may direct ATRS to reduce benefits within the same fiscal year the earnings limitation is expected to be exceeded.
- 2) In the event that both the employee and his employer fail to notify the Teacher Retirement System of a retiree's return to service and benefits are paid illegally due to such lack of notice, the Teacher Retirement System shall delay restoration of benefits until all funds paid illegally have been recovered either through direct payment by the retiree or through delay in restoration of benefits by the System.

- 3) Effective July 1, 1991, an age and service retiree may be employed by a private employer or in a position covered by a state-supported retirement system other than the Teacher Retirement System without any effect on his annuity.
- 4) During any period of employment not covered by Act 39 of 1989, an age and service retiree shall not accrue additional service credit, nor shall he contribute to the Arkansas Teacher Retirement System.

DISABILITY RETIRANT:

Under the provisions of the Teacher Retirement law a disability retiree is permitted, should he regain his health and should he be employed under contract in a position covered by the Arkansas Teacher Retirement System to establish a year or more of service credit and have his benefits recomputed at a time of retirement either or age and service or disability as the case might be.

1. Disability Retiree Employed Full-Time

When a disability retiree is employed under contract in a position covered by the Teacher Retirement System as a full-time employee in a regular or special position on a fiscal year basis, the Teacher Retirement System is required to remove him from the disability payroll. It is the responsibility of the employing agency to report such employment to the retirement office immediately. Unless the retiree was a member of the non-contributory plan, it is also the responsibility of the employing agency to withhold 6% of applicable salary. If the retiree completes a minimum of 120 days or more during a fiscal year in Arkansas, thus adding a year's service credit, he can then again make application for disability or age and service retirement and his benefits will be recomputed based on the additional year or years of service credit. A disability retiree shall not be permitted to establish service credit when employed in a part-time position.

2. Disability Retiree Employed Part-Time

A disability retiree employed part-time will be subject to the same earnings limitation policy as age and service retirees.

RECIPROCITY
(Act 611 of 1975)

DEFINITIONS

1. Reciprocal System means the Teacher Retirement System of Arkansas in operation June 30, 1957, and continued by Act 93 of 1957, as amended; or the Arkansas State Highway Employees Retirement System, established by Act 454 of 1949, as amended; or the Arkansas Public Employees Retirement System established by Act 177 of 1957, as amended or the Arkansas State Police Retirement System established by Act 311 of 1951, as amended.
2. State Employer means the public employer whose employees are covered under the Teacher Retirement System of Arkansas; or the public employer whose employees are covered under the Arkansas State Employees Retirement System, or the public employer whose employees are covered under the Arkansas Public Employees Retirement System, or the public employer whose employees are covered by the Arkansas State Police Retirement System.

SUMMARY OF RECIPROCAL SERVICE ACT 611 OF 1975

If a member leaves the employ of a State employer whose position is covered by any of these four (4) retirement systems and enters the employ of another State employer whose position is covered by any of these four (4) retirement systems, he shall be entitled to a deferred annuity payable from the preceding system subject to the following conditions:

1. Age & Service

- a) He has credited service acquired in the employ of the preceding State employer.
- b) He does not withdraw his contributions, or if he has withdrawn, he repays the amount withdrawn, plus interest, while he is an active member of a reciprocal system.
- c) He qualifies for age and service retirement in the succeeding reciprocal system by using his credited service in force with the preceding reciprocal system plus his credited service acquired in the employ of the succeeding State employer to meet the minimum service requirements of the succeeding system. This would also qualify him for benefits in the preceding system.
- d) His deferred annuity payable by the preceding reciprocal system shall be determined by the annuity formula in effect at the time of retirement in the preceding system, exclusive of any minimum amounts.
- e) If the Teacher Retirement System is the preceding system, his annuity begins the first day of the month next following the month he filed his application or after his attainment of age 60 years, whichever is later. However, should he have combined service of at least 25 years, the age limitation shall not apply. In no case

shall his deferred annuity begin prior to the date he retires from the employ of his last state employer.

2. Disability

- a) If he has ten (10) or more years of combined creditable service in two (2) or more reciprocal systems, he is eligible to apply for disability benefits from each reciprocal system in which he has credited service.
- b) Eligibility for disability benefits is determined under the rules and regulations of each respective system.
- c) He shall be eligible for a refund of his accumulated contributions plus interest, if any, from any reciprocal system in which he does not qualify for disability benefits. Such refund shall not alter his eligibility for benefits from any other reciprocal system.
- d) His annuity for disability retirement payable by the preceding reciprocal system shall begin the first day of the calendar month next following the month he filed his application for same with the preceding system, but not prior to the date he leaves the employ of his last State employer.

POLICIES

1. A person who leaves a position covered by the Teacher Retirement System and is employed by a reciprocal system and files a reciprocal service agreement become a deferred (inactive) member and is entitled to the benefit formula in effect at the time of retirement, exclusive of any minimum amounts.
2. The final average compensation used in computing benefits payable by the preceding system shall be that of the reciprocal system furnishing the highest final average salary at the time of retirement. To determine the final average salary, only service credit and salaries earned in a system will be used, even if the service does not total five years.
3. The provisions of policy number 2 shall not be applicable to a person who elects to contribute on a maximum salary of \$7,800 unless he shall have changed to full salary and shall have paid the difference between 6% of 7,800 and 6% of full salary retroactive to July 1, 1969.
4. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system until the member has ceased to be in the employ of a State employer.
5. Benefits will not be paid under reciprocity from the Teacher Retirement System as the preceding system earlier than age 60 unless he has 25 or more years of combined service.

6. No minimum benefits apply under Act 488 as amended for reciprocal service unless the Teacher Retirement System is the succeeding system and the member has 10 or more years of credited service in the Teacher Retirement System.
7. If the death-in-service benefits are payable by more than one reciprocal system to eligible survivors of a deceased member, such survivors shall not receive more as a percent of the deceased member's final pay or as a minimum dollar amount payable by a single reciprocal system. The Teacher Retirement System will prorate minimum benefits payable with other reciprocal systems that have a minimum benefit provision in their plans. Each reciprocal system shall pay only a proportionate share of such minimum amount based on the ratio of such service in such system to the total service in all reciprocal systems.
8. If an employee of the Department of Human Services who becomes a member of the Public Employee's Retirement System under the provisions of Act 793 of 1977 as amended leaves employment with the Department of Human Services and becomes employed in another position covered by the Teacher Retirement System, his benefits for service, both before and after his service under Act 793, shall be subject to the benefit provisions of the Teacher Retirement law. Such member shall be eligible to establish reciprocity under the provisions of Act 488 of 1965 as amended.
9. If a member has reciprocal service during the same fiscal year with both the Teacher Retirement System and the Public Employees Retirement System and if, under the two systems' methods of credited service, the combined service amounts to more than one full year of service credit, the ATRS will credit service as follows:
 - a) If credit by PERS is less than three (3) months, ATRS will credit service for the full year.
 - b) If credit by PERS is three (3) or more months but less than six (6) months, ATRS will credit service for three-fourths (3/4) year.
 - c) If credit by PERS is six (6) or more months but less than nine (9) months, ATRS will credit service for one-half (1/2) year.
 - d) If credit by PERS is for nine (9) months but less twelve (12) months, ATRS will credit service for one-fourth (1/4) year.
10. A member who has established reciprocity with the Teacher Retirement System as the succeeding system and has at least ten (10) years of service credit with the Teacher Retirement System will be eligible for the minimum amounts for retirement benefits. He or she will not receive less than \$1,800 per year (contributory option) or \$1,128 (non-contributory option) or a proration of the two.
11. Effective January 1, 1988, all purchases and payment shall be made in the following manner:

On amounts totaling less than \$300 a lump sum payment shall be required.

Purchases and payments totaling at least \$300, but less than \$1,000 may be made in five equal payments of at least 20 percent of the beginning balance.

Purchases and payments totaling \$1,000 or more may be made in ten equal payments of at least ten percent of the beginning balance.

Effective July 1, 1992, for a total payment amount greater than \$300.00 but less than \$5,000.00, the member may elect to follow the present minimum payment schedule of ten (10) equal payments or pay a minimum of \$150.00 each time until the account is paid in full.

For total payment amounts due of \$5,000.00 or greater, the member may elect to follow a minimum payment schedule of 20 equal payments or pay a minimum of \$250.00 each time until the account is paid in full.

A contract to complete payment shall exist upon acceptance of the initial payment.

12. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.
13. Effective July 1, 1993, for a ninety- (90) day period, employees of the Arkansas Rehabilitation Services may transfer from the Public Employees Retirement System to the Teacher Retirement System. Any employee making the change will establish reciprocity between the two systems and Act 793 shall no longer apply.

PART I

COLLEGE ALTERNATE
(ACT 436 OF 1967)DEFINITIONS

1. "Staff Member" means both teachers and administrative officers eligible for membership in the Teacher Retirement System.
2. "Alternate Retirement Plan" means a retirement plan based on purchase of contracts providing retirement and death benefits for teachers and administrative officers.
3. Any staff member employed after the establishment of the Alternate Retirement Plan shall participate in such plan or in the Teacher Retirement Plan.
4. Any staff member employed prior to July 1, 1969, who is a member of the Teacher Retirement System shall continue such membership or shall participate in the Alternate Plan.
5. Eligibility to participate in the Alternate Retirement Plan is as follows, except that on or after July 1, 1993, until December 31, 1993, any staff member employed or appointed by a college or university who has less than ten (10) years of member service in the retirement system and who has not already so elected, may elect to terminate his membership in the retirement system and participate in the alternate retirement plan established by the employing college or university:
 - a) An employee of a State supported institution of higher learning covered by the Arkansas Teacher Retirement System who is a compulsory member of the System may elect, within one year from the date of his employment, to participate in the Alternate Retirement Plan of the institution. Such election shall be in writing and filed with the Teacher Retirement System and the institution. All accumulated contributions made by the member shall be refunded.
 - b) Any staff member who does not make the election within one year after he becomes eligible must remain a member of the Teacher Retirement System until such time as he completes 10 years of membership service. At that time, he again becomes eligible to elect to participate in the Alternate Plan. He may leave his contributions in the System or he may withdraw. Such election shall be in writing and filed with (1) TRS and (2) the college. If the member chooses to leave contributions in the System, the effective date of such elections shall be the July 1 next following the date the election is filed.
6. Any staff member with 10 or more years who elects or has elected to participate in the Alternate Plan and has left his contributions in the Teacher Retirement System shall qualify for vested annuity on or after attaining age 60 as determined by the benefit formula in effect at the

time of retirement, subject to earnings limitations as provided by the law.

POLICIES

1. Service for the year in which a member changes to the College Alternate Retirement Plan will be adjusted by Data Processing of Teacher Retirement as follows:

Service Reported D-2A for such year	Service Credit Allowed by TRS	Converted to Computer Days
0 - 44 days	0 year	0 - 29 days
45 - 89 days	1/4 year	30 - 59 days
90 - 134 days	1/2 year	60 - 89 days
135 - 179 days	3/4 year	90 - 119 days
180 - days	1 year	120 - days

2. After a person makes the election to participate in the College Alternate Plan, he may not again become an active participant in the Teacher Retirement System unless he becomes employed in a position covered by the System, but not covered by the College Alternate Plan.
3. Benefits for a deferred, inactive member who is participating in the College Alternate Retirement Plan can become effective the first of the month after he files his Application for Teacher Retirement Annuity form, provided:
 - a) He has attained age 60
 - b) He has terminated employment in a covered position.

PART II

COLLEGE ALTERNATE
(Act 1075 of 1975)DEFINITIONS

1. Act 1075 of 1975 is an act to amend Act 512 of 1971 and Act 9 of 1971 to permit an option regarding participation in retirement plans; and for other purposes.
2. Legislative Acts 521 and 9 of 1971 provided that those employees of the University of Arkansas at Pine Bluff (Arkansas AM&N College at Pine Bluff) and the University of Arkansas at Monticello (Arkansas AM&N College at Monticello) who continued in employment at the University of Arkansas after the appropriate merger dates would continue in certain retirement plans.
3. An employee of the University of Arkansas at Pine Bluff prior to July 1, 1972 who had continued his employment without interruption since that date shall have the option to elect to participate in the Alternate Retirement Plan on or before July 1, 1976.
4. An employee of the University of Arkansas at Monticello prior to July 1, 1971 who had continued his employment without interruption since that date shall have the option to elect to participate in the Alternate Retirement Plan on or before July 1, 1976.
5. Such election to participate in the Alternate Retirement Plan shall be subject to the following:
 - a) An employee with less than 10 years of membership service may elect to participate in the Alternate Plan. A refund of contributions is mandatory.
 - b) An employee with 10 or more years of membership service may elect to participate in the Alternate Plan and:
 - 1) Freeze his Teacher Retirement contributions. If the member chooses deferred retirement, the effective date of such election shall be the July 1 next following the date the election is filed.
 - 2) Receive a refund of all contributions.
 - c) If an employee with 10 or more years elects to participate in the Alternate Retirement Plan and leaves his contributions in the Teacher Retirement System, he will qualify for a deferred (vested) annuity on or after attaining age 60 and after retirement from covered employment, to be determined by the formula in effect at the time of his retirement.
 - d) If an employee fails to make an election by July 1, 1976, he is frozen in the Teacher Retirement System until such time as he

again becomes eligible to make the election to transfer to the Alternate Plan and (1) freeze his contributions in TRS or (2) receive a refund of all contributions.

- e) Such election shall be in writing and filed with the Chief Fiscal Officer of the campus where the person is employed on or before July 1, 1976. Such Fiscal Officer shall then forward a copy of all elections to the Retirement System.
- f) Act 288 of 1981 amended Act 1075 to provide that a teacher or administrator at the University of Arkansas at Pine Bluff or the University of Arkansas at Monticello who has elected to participate in an alternate retirement plan must be retired from covered employment to qualify for Teacher Retirement benefits.

PART III

COLLEGE ALTERNATE
(Act 545 of 1983)

1. All persons except those who are eligible for membership in either the Teacher Retirement System or the College Alternate Plan under Act 436 of 1967, employed by Arkansas State University; Arkansas State University, Beebe; the University of Central Arkansas; Henderson University; Southern Arkansas University, El Dorado; Southern Arkansas University, Technical Branch, Camden; or a state supported community college on or after March 19, 1983, shall be members of the Public Employees Retirement System unless, at the time of employment, they are already member of the Teacher Retirement System due to previous employment with an employer covered by said Teacher Retirement System.
2. All non-teaching employees of the above named institutions who were members on March 19, 1983, of the Teacher Retirement System have the option of remaining members of the Teacher Retirement System or terminating membership in that system and enrolling in the Public Employees Retirement System, provided that election to change was made on or before July 30, 1986.
3. Employees of the above named institutions who were employed before March 19, 1983 and who were not members of a state retirement system on or before March 19, 1983, may become members of the Teacher Retirement System after March 19, 1983. The Teacher Retirement System will not credit back service with the above named institutions to persons who are not active members of the Teacher Retirement System.

ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM
(Act 1244 of 1991)

DEFINITIONS

1. "Community college" means an institution of higher education established or to be established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, college transfer courses, and courses in general adult education.
2. "Branch campus of a community college" means an institution with facilities located apart from the community college campus but within the community college district.
3. "Satellite college" means an institution located within a service area of a technical or community college but not located within a community college district.
4. "Technical college" means an institution of higher education established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, courses in general adult education and courses comparable in content and quality to freshman and sophomore courses which may carry transfer credit to a four-year institution in a chosen course of study.

POLICIES

1. Effective July 1, 1991, the following institutions are designated as technical colleges and become part of the Arkansas Technical and Community College System under the coordination of the State Board of Education:
 - a) Black River Vocational Technical College, Pocahontas
 - b) Cossatot Vocational Technical College, De Queen
 - c) Gateway Vocational Technical College, Batesville
 - d) Mid-South Vocational Technical College, West Memphis
 - e) Oil Belt Vocational Technical College, El Dorado
 - f) Ozarka Vocational Technical College, Melbourne
 - g) Petit Jean Vocational Technical College, Morrilton
 - h) Pines Vocational Technical College, Pine Bluff
 - i) Pulaski Vocational Technical College, North Little Rock
 - j) Red River Vocational Technical College, Hope
 - k) Twin Lakes Vocational Technical College, Harrison
2. As provided in Act 1244 of 1991 or upon approval of the State Board of Vocational Education, the board of trustees of the receiving institution, The State Board of Higher Education and the North Central Association - Commission on Institutions of Higher Education thereafter, a state-supported vocational-technical institution may be consolidated with a four-year institution or a two-year branch campus of a four-year institution.

3. Following approval by the North Central Association - Commission on Institutions of Higher Education, and upon approval of the board of trustees of the receiving institution, the following state-supported vocational-technical institutions and four-year institutions or two-year branch campuses of a four-year institution shall be consolidated: White River Vocational Technical School with Arkansas State University - Beebe Campus.
4. Except as provided below, effective July 1, 1991, the Mountain Home Education Center (postsecondary only) (Baxter County) shall be designated as a technical college. However, the advisory board of the Mountain Home Education Center (Baxter County) may, by resolution prior to July 1, 1991, elect not be a technical college.
5. If approved by majority vote of the qualified electors of Boone County voting in a special election before July 1, 1991, then effective July 1, 1991, Twin Lakes Technical College shall become a candidate for merger with North Arkansas Community College. However, if the voters of Boone County do not approve the measure, then Twin Lakes Technical College shall continue to be a technical college.
6. All employees who are employed by state-supported postsecondary vocational-technical schools converting to an institution under the Technical and Community College System or those employees of a two-year branch campus of a four-year institution converting to a technical or community college, shall become employees of the technical or community college, branch campus of the community college or satellite campus of the community college and shall continue their terms of employment and shall have all rights and benefits of employment, including retirement benefits, that they had when employed by the state-supported postsecondary vocational-technical schools or by the two-year branch campus of the four-year institution.
7. Each instructor and administrative staff member of a state-supported postsecondary vocational-technical school employed on July 1, 1991, shall within ninety (90) days following the transfer to the Technical and Community College System or upon transfer to the system with the approval of the board, elect either to continue membership in the retirement plan in which he or she was enrolled prior to that date or transfer to the Teacher Retirement System or any alternate retirement plan currently established for the institution into which it is being merged or consolidated. Once such election is made, the election is irrevocable during the tenure of employment with the system.
8. Each instructor and administrative staff member of a two-year campus of a four-year institution which is later converted to a technical college or community college shall within ninety (90) days following the appointment of the local board elect either to continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.

VOCATIONAL EDUCATION ALTERNATE PLAN
(Act 480 of 1983)

DEFINITION

"Alternate Retirement Plan" means a retirement plan based on the purchase of contracts providing retirement and death benefits for instructors and administrative staff of the post-secondary vocational technical school of the State of Arkansas and the staff of the Vocational and Technical Education Division and which has been approved by the board.

"School" means any post-secondary vocational technical school established pursuant to Section 3 of Act 328 of 1957 for the vocational training of students.

"Board" means the State Board of Vocational Education.

"Staff members" means both instructors and administrative staff of a post-secondary vocational technical school and the staff of the Vocational and Technical Education Division who are eligible for membership in the Retirement System.

"Division" means the Vocational and Technical Education Division, Arkansas Department of Education.

"Director" means the Director, Vocational and Technical Education Division, Arkansas Department of Education.

POLICIES

1. On or after July 1, 1983, the Board may establish and maintain an Alternate Retirement Plan which shall authorize the purchase of contracts providing retirement and death benefits for staff members. Under such plan, staff members shall contribute, to the extent authorized or required, toward the purchase of such contracts which shall be issued to and become the property of, the participants. This Alternate Retirement Plan shall be administered by the Board pursuant to a written Alternate Retirement Plan document, which shall be formally adopted by the Board prior to the establishment of the Alternate Retirement Plan.
2. All staff members shall participate in either the Retirement System or an Alternate Plan or both, but participation in both shall be limited to the circumstances described in number 3 below.
3. Any staff member who has become fully vested in the Retirement system may elect to discontinue contributing to the Retirement System, thus becoming an "inactive member," and participate instead in an Alternate Retirement Plan. Such election shall be in writing and shall be filed with both the Retirement System and the Director within 90 days after establishment of the Alternate Retirement Plan and prior to the staff member's participation in an Alternate Retirement Plan. Under such circumstances, the staff member would be both an "inactive member" of

the Retirement System and an "active member" of the Alternate Retirement Plan.

4. Any staff member who has become fully vested in the Retirement System may elect to participate in an Alternate Retirement Plan and receive all accumulated contributions to the credit of such staff member in the member's deposit account and have such member's credited service under the Retirement System cancelled.
5. Notwithstanding the foregoing provisions, any staff member who has participated in the Retirement System for a period which is insufficient to allow for full vesting of that staff member's Retirement system benefits may elect to (1) continue as an "active member" in the Retirement System, (2) discontinue membership in the Retirement System and transfer from the Retirement System into his or her account with the alternate Retirement Plan; i.e., roll over all contributions which the staff member has previously made to the Retirement System, or (3) participate in the Alternate Retirement Plan and receive all accumulated contributions to the credit of such staff member in the member's deposit account. A refund cancels such member's credited service under the Teacher Retirement System.
6. No staff member may participate in an Alternate Retirement Plan without giving prior written notice of his or her election to participate in the Alternate Retirement Plan. Such notice of election shall be made within 90 days of the date on which the Alternate Retirement Plan goes into effect, provided such election was made by September 1, 1985, or, for new staff members, 90 days after the staff member's date of employment. Such notice of election shall be in writing on a form established by the Division and filed with both the Director and the Retirement System.
7. No staff member who elects to change from participation in the Teacher Retirement System to participation in the Alternate Retirement Plan, but continues employment in a position covered by the Retirement System, shall receive a year's service credit for less than a full year of contributions. The provision for crediting a year's service credit for only 120 days work is applicable only to members whose employment is terminated during a fiscal year.
8. Service for the year in which a member changed to the Vocational Education Alternate Retirement Plan will be adjusted by Data Processing of Teacher Retirement as follows:

Service Reported on D-2A for Such Year	Service Credit Allowed by TRS	Converted to Computer Days
0 - 44 days	0 year	0 - 29 days
45 - 89 days	1/4 year	30 - 59 days
90 - 134 days	1/2 year	60 - 89 days
135 - 179 days	3/4 year	90 - 119 days
180 - days	1 year	120 - days

9. Effective July 1, 1993, staff members who elect under Act 480 of 1983 to participate in an alternate retirement plan may elect to become members

of the retirement system. Service credit forfeited while a member of an alternate retirement plan cannot be established in the retirement system. The election to withdraw from the alternate retirement plan and become a member of the retirement system shall be made by December 31, 1993, and notice of the election shall be made in writing to the Director and the retirement system by December 31, 1993.

10. Service for the year in which a member changed to the retirement system shall be credited as follows:

Transfer made to TRS

Credit received in TRS

7-1-93	120 days
8-1-93	120 days
9-1-93	90 days
10-1-93	90 days
11-1-93	60 days
12-1-93	60 days

ARKANSAS TECHNICAL AND COMMUNITY COLLEGE SYSTEM
(Act 1244 of 1991)

DEFINITIONS

1. "Community college" means an institution of higher education established or to be established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, college transfer courses, and courses in general adult education.
2. "Branch campus of a community college" means an institution with facilities located apart from the community college campus but within the community college district.
3. "Satellite college" means an institution located within a service area of a technical or community college but not located within a community college district.
4. "Technical college" means an institution of higher education established under Act 1244 of 1991 dedicated primarily to the educational needs of the service area offering a comprehensive program including, but without limitation, vocational, trade and technical specialty courses and programs, courses in general adult education and courses comparable in content and quality to freshman and sophomore courses which may carry transfer credit to a four-year institution in a chosen course of study.

POLICIES

1. Effective July 1, 1991, the following institutions are designated as technical colleges and become part of the Arkansas Technical and Community College System under the coordination of the State Board of Education:
 - a) Black River Vocational Technical College, Pocahontas
 - b) Cossatot Vocational Technical College, De Queen
 - c) Gateway Vocational Technical College, Batesville
 - d) Mid-South Vocational Technical College, West Memphis
 - e) Oil Belt Vocational Technical College, El Dorado
 - f) Ozarka Vocational Technical College, Melbourne
 - g) Petit Jean Vocational Technical College, Morrilton
 - h) Pines Vocational Technical College, Pine Bluff
 - i) Pulaski Vocational Technical College, North Little Rock
 - j) Red River Vocational Technical College, Hope
 - k) Twin Lakes Vocational Technical College, Harrison
2. As provided in Act 1244 of 1991 or upon approval of the State Board of Vocational Education, the board of trustees of the receiving institution, The State Board of Higher Education and the North Central Association - Commission on Institutions of Higher Education thereafter, a state-supported vocational-technical institution may be consolidated with a four-year institution or a two-year branch campus of a four-year institution.

3. Following approval by the North Central Association - Commission on Institutions of Higher Education, and upon approval of the board of trustees of the receiving institution, the following state-supported vocational-technical institutions and four-year institutions or two-year branch campuses of a four-year institution shall be consolidated: White River Vocational Technical School with Arkansas State University - Beebe Campus.
4. Except as provided below, effective July 1, 1991, the Mountain Home Education Center (postsecondary only) (Baxter County) shall be designated as a technical college. However, the advisory board of the Mountain Home Education Center (Baxter County) may, by resolution prior to July 1, 1991, elect not be a technical college.
5. If approved by majority vote of the qualified electors of Boone County voting in a special election before July 1, 1991, then effective July 1, 1991, Twin Lakes Technical College shall become a candidate for merger with North Arkansas Community College. However, if the voters of Boone County do not approve the measure, then Twin Lakes Technical College shall continue to be a technical college.
6. All employees who are employed by state-supported postsecondary vocational-technical schools converting to an institution under the Technical and Community College System or those employees of a two-year branch campus of a four-year institution converting to a technical or community college, shall become employees of the technical or community college, branch campus of the community college or satellite campus of the community college and shall continue their terms of employment and shall have all rights and benefits of employment, including retirement benefits, that they had when employed by the state-supported postsecondary vocational-technical schools or by the two-year branch campus of the four-year institution.
7. Each instructor and administrative staff member of a state-supported postsecondary vocational-technical school employed on July 1, 1991, shall within ninety (90) days following the transfer to the Technical and Community College System or upon transfer to the system with the approval of the board, elect either to continue membership in the retirement plan in which he or she was enrolled prior to that date or transfer to the Teacher Retirement System or any alternate retirement plan currently established for the institution into which it is being merged or consolidated. Once such election is made, the election is irrevocable during the tenure of employment with the system.
8. Each instructor and administrative staff member of a two-year campus of a four-year institution which is later converted to a technical college or community college shall within ninety (90) days following the appointment of the local board elect either to continue membership in the retirement plan in which he or she was enrolled prior to the conversion or to transfer membership to the Teacher Retirement System. Once such election is made, the election is irrevocable during the tenure of employment with the system.

9. Any other employees of an institution transferring to the system under this act or under the approval of the board, shall remain a member of the retirement system to which they were enrolled prior to the transfer.

ACT 793 of 1977

DEFINITION

Employees of the Department of Human Services who are members of the Teacher Retirement System and have met the requirements of Section 3.02b of Act 793 of 1977 by making contributions to the System based on full salary since July 1, 1969 or since initial enrollment in membership of the Teacher Retirement System, if later than July 1, 1969, are eligible to elect coverage under the non-contributory benefit provisions of Act 793 of 1977, provided such election is made on or before June 30, 1991.

POLICIES

1. Employees of the Department of Human Services who have elected coverage under Act 793 will qualify for benefits under the Act 793 formula for all their years of credited service, including service as a member of the Teacher Retirement System.
2. The effective date of transfer of active membership from the Teacher Retirement System to the Public Employees Retirement System shall be January 1, 1978.
3. For employees who elect coverage under Act 793, the Teacher Retirement System will refund both employee and employer contributions based on service after January 1, 1978.
4. In computing its liability for benefits for employees of the Department of Human Services retiring under the provisions of Act 793, the Teacher Retirement System will allow one-half (1/2) year of credited service for the 1977-78 fiscal year (July 1, 1977 - December 31, 1977).
5. The Teacher Retirement System will be liable for funding of benefits for credited service established with the System prior to January 1, 1978. When a member of the Public Employees Retirement System who has credited service with the Teacher Retirement System retires from employment with the Department of Human Services under the provisions of Act 793, the Teacher Retirement System's liability for his benefits will be computed:
 - a) By using the retiring member's final average salary at the time of retirement as defined by Act 793 and certified by the Public Employees Retirement System.
 - b) By using the Teacher Retirement System benefit provisions in effect January 1, 1978, to compute his monthly annuity guaranteed by Teacher Retirement.
 - c) On and after January 1, 1993, for benefit amounts based upon employment before January 1, 1978, Division of Rehabilitation Services employees who are still active employees on January 1, 1993, shall have benefits computed in accordance with current benefit provisions in effect for the Teacher Retirement System at the time of their retirement.

6. Monthly benefits will be paid in the name of the retired member to the Public Employees Retirement System, except that on and after August 13, 1993, Arkansas Public Employees Retirement System shall certify monthly the total amount of benefits paid and the Teacher Retirement System shall immediately transfer such amount from its benefit account to the proper account designated by the Arkansas Public Employees Retirement System.
7. Employees of the Department of Human Services who have elected coverage under Act 793 are eligible to establish reciprocity between the Teacher Retirement System and the Public Employees Retirement System and repay a refund or establish prior service. (Attorney General's Opinion #84-154).
8. From July 1, 1991, until December 31, 1991, an active member of the Public Employees Retirement System who was an active member of the Teacher Retirement System prior to January 1, 1978, and who became a member of the Public Employees Retirement System within thirty (30) days of departure from the Teacher Retirement System may establish reciprocity between the two systems and purchase out-of-state service rendered prior to January 1, 1978, in accordance with the provisions and conditions contained in A.C.A. Secs. 24-7-601 and 24-7-603.

ERRONEOUS MEMBERSHIP

DEFINITIONS

1. "Erroneous Membership" means an employee was enrolled in a State retirement system in which he was not eligible for membership and both employee and employer contributions have been accepted by the "System of Record."
2. "Retirement System of Record" means the system that holds an erroneous membership.
3. "Eligible retirement system" means the retirement system in which the employee is eligible for membership.
4. "Employer" means an employing state agency or employing school district.

POLICIES

1. Employees erroneously enrolled in a state retirement system on or after January 1, 1979, may elect to remain a member of the system of record or may become a member of the eligible retirement system.
2. With the exception of erroneously enrolled persons who choose to remain in the system of record, the Teacher Retirement System will notify all employers that the following persons should be enrolled in the Teacher Retirement System:
 - a) Any person employed by a school for the purpose of giving instruction and whose employment requires state certification.
 - b) Any other person first employed by a school on or after July 1, 1989, in a regular or special position.
 - c) Any person first employed on or after July 1, 1989, by any of the following organizations or agencies:

State School for the Blind; State School for the Deaf; Arkansas Activities Association; a local school board; Chief County School Officers; State Board of Education; Regional Educational Cooperatives; the State Surplus Property Program; the Teacher Retirement System; Arkansas Rehabilitation Service; the Division of Rehabilitation Services for the Blind.
 - d) Any person employed in a position with an area Vocational Technical School, except those employees who have elected to participate in an Alternate Retirement Plan established by Act 480 of 1983; or the Arkansas Educational Television Commission.

- e) Any person employed in a covered position with a technical college, except those employees who elect under Act 1244 of 1991 to remain in the retirement plan in which he or she was enrolled prior to July 1, 1991, or any alternate retirement plan currently established.
 - f) Any person employed in a position with the Arkansas Rehabilitation Services for the Blind or the Youth Services Division, except those employees who have elected coverage under Act 793 of 1977; provided, however, that any employee hired by Youth Services after July 1, 1977, is ineligible for membership in the Teacher Retirement System (Attorney General's opinion #77-249).
3. After July 1, 1979, the Teacher Retirement System will make no further effort to correct the retirement system membership of persons who were erroneously enrolled in another state retirement system before January 1, 1979. The Teacher Retirement System will not accept as members persons who were erroneously enrolled in another state retirement system before January 1, 1979, unless that person's contributions were refunded prior to July 1, 1979.
 4. If an employee was erroneously enrolled in the Teacher Retirement System before January 1, 1979, and if his contributions were not refunded prior to July 1, 1979, he shall continue to be a member of the Teacher Retirement System. He shall receive service credit for all paid membership service in the System and any free service which is creditable under Act 427 of 1973 as amended. He shall also be entitled to reciprocal service credit as provided by Act 488 of 1965 as amended.
 5. If it is discovered by the Teacher Retirement System that an employee became erroneously enrolled in a state retirement system on or after January 1, 1979, the Teacher Retirement System will notify both the employer and employee that the membership is erroneous and that it may be corrected as prescribed by Act 13 of 1991.
 6. If a person who is employed before July 1, 1989, as a school janitor, bus driver or cafeteria worker is enrolled in the Public Employees Retirement System under the provision of Act 63 of 1965, and later is promoted to a position of school maintenance worker or supervisor, bus mechanic or transportation supervisor, or cafeteria manager, respectively, he shall continue to be a member of the Public Employees Retirement System as long as he is employed in one of these respective capacities.
 7. If it is discovered by the Teacher Retirement System that an employee became erroneously enrolled in a state retirement system on and after January 1, 1979, the Teacher Retirement System will notify both the employer and employee that the membership is erroneous and that it should be corrected as prescribed by A.C.A. 24-2-304.

QUALIFIED DOMESTIC RELATIONS ORDERS
FOR ACTIVE MEMBERS
(Act 1143 of 1993)

DEFINITIONS

"Alternate payee" means a spouse, former spouse, child or other dependent of a participant under Arkansas law.

POLICIES

- 1 Qualified domestic relations orders issued by a chancery court of the State of Arkansas and which apply to a participant of the Teacher Retirement System (retirement plan) shall be accepted by the system, subject to the following restrictions:
 - (a) Benefits to the alternate payee shall begin when the participant retires, or ceases employment in a covered position and receives a refund of contributions.
 - (b) participants receiving disability benefits, as defined in Section 24-7-704 of the Arkansas Code of 1987, Annotated, from the retirement plan shall not be subject to qualified domestic relations orders.
 - (c) Pursuant to Act 1143 of 1993, a model qualified domestic relations order is added as Addendum A to these policies. Any qualified domestic relation order issued by a chancery court must comply with the content of and substantially follow the form set out in the addendum.
 - (d) When a qualified domestic relations order is received by the retirement plan,
 - (1) the plan administrator shall promptly notify the participant and the alternate payee of the receipt of such order, and
 - (2) within a reasonable time after receipt of the order, determine whether the order is a qualified domestic relations order as set out in Addendum A to these policies and notify the participant and the alternate payee of such determination.
 - (e) Qualified domestic relations orders received prior to a participant's retirement or cessation of employment will be handled as set out in (d) above, but any amounts payable to the alternate payee will be held in the participant's account until due to be paid.
 - (f) Nothing contained in the qualified domestic relations order shall be construed to require the retirement plan to provide an alternate payee any type or form of benefit or option not otherwise available to the participant; to provide the alternate payee actuarial benefits not available to the participant; or to pay an benefits to the alternate payee which are required to be paid to another alternate payee under a previous qualified domestic relations order.
 - (g) Should the alternate payee die prior to the receipt of benefits under the qualified domestic relations order, the entire amount due the alternate payee shall revert to the participant.
 - (h) Should the participant die prior to retirement, the alternate payee shall receive the same percentage of the participant's

contributions, if any, as was awarded by the court in dividing the marital property. In no case shall be the alternate payee receive monthly benefits from the retirement plan.

- (i) Monthly benefits paid the alternate payee shall be computed on the benefit formula in effect at the time of the participant's retirement, but shall include only service credit earned by the participant during the marital relationship.
- (j) The retirement plan shall have the right to make any necessary correction to the monthly benefit amount paid both to the participant and the alternate payee and to recover from either, or both, any overpayments made.
- (k) If the alternate payee fails at any time to notify the retirement plan of any mailing address change, the retirement plan shall not be eligible for failure to make the payments as due.
- (l) Should the retirement plan determine that the alternate payee's monthly benefits are less than \$20.00, the participant shall be paid the total benefit due and shall be responsible for paying the alternate payee the amount due.
- (m) Qualified domestic relations order received by the retirement plan before the effective date of Act 1143 of 1993 may be honored but only if the participant or the alternate payee notifies the plan, and it is determined that the order is a qualified order as set out in Addendum A.

QUALIFIED DOMESTIC RELATIONS ORDERS
FOR RETIRED MEMBERS
(Act 1143 of 1993)

DEFINITIONS

"Alternate payee" means a spouse, former spouse, child or other dependent of a participant under Arkansas law.

POLICIES

1. Qualified domestic relations orders issued by a chancery court of the State of Arkansas and which apply to a participant of the Teacher Retirement System (retirement plan) shall be accepted by the system, subject to the following restrictions:
 - (a) Participants receiving disability benefits, as defined in Section 24-7-704 of the Arkansas Code of 1987, Annotated, from the retirement plan shall not be subject to qualified domestic relations orders.
 - (b) Pursuant to Act 1143 of 1993, a model qualified domestic relations order is added as Addendum A to these policies. Any qualified domestic relation order issued by a chancery court must comply with the content of and substantially follow the form set out in the addendum.
 - (c) When a qualified domestic relations order is received by the retirement plan,
 - (1) the plan administrator shall promptly notify the participant, and the alternate payee of the receipt of such order, and
 - (2) within a reasonable time after receipt of the order, determine whether the order is a qualified domestic relations order as set out in Addendum A to these policies and notify the participant and the alternate payee of such determination.
 - (d) Nothing contained in the qualified domestic relations order shall be construed to require the retirement plan to provide an alternate payee any type or form of benefit or option not otherwise available to the participant; to provide the alternate payee actuarial benefits not available to the participant; or to pay an benefits to the alternate payee which are required to be paid to another alternate payee under a previous qualified domestic relations order.
 - (e) Should the alternate payee die prior to the receipt of benefits under the qualified domestic relations order, the entire amount due the alternate payee shall revert to the participant.
 - (f) Should the participant die prior to retirement, the alternate payee shall receive the same percentage of the participant's contributions, if any, as was awarded by the court in dividing the marital property. In no case shall be the alternate payee receive monthly benefits from the retirement plan.
 - (g) The retirement plan shall have the right to make any necessary correction to the monthly benefit amount paid both to the participant and the alternate payee and to recover from either, or both, any overpayments made.

- (h) If the alternate payee fails at any time to notify the retirement plan of any mailing address change, the retirement plan shall not be liable for failure to make the payments as due.
- (i) Should the retirement plan determine that the alternate payee's monthly benefits are less than \$20.00, the participant shall be paid the total benefit due and shall be responsible for paying the alternate payee the amount due.
- (j) Qualified domestic relations order received by the retirement plan before the effective date of Act 1143 of 1993 may be honored but only if the participant or the alternate payee notifies the plan, and it is determined that the order is a qualified order as set out in Addendum A.
- (k) During any period while it is being determined if the order is a qualified domestic relations order, the plan administrator shall separately account for the amounts which would have been payable to the alternate payee during that time.