



JULY 1, 2014 RETIREMENT

FAQ'S

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

*A large majority of ATRS members retire at the end of a school year and become July 1st retirees. A July 1st retiree receives the first benefit payment on the last working day of July. A **very important** reason to be a July 1st retiree is that members who retire by July 1st earn a cost of living allowance (COLA) the following July 1st. ATRS pays a 3% simple COLA each July 1st to members who have been retired at least 12 months. If members miss becoming a July 1, 2014, retiree and retire later in 2014 or early 2015, then the first COLA the members are eligible to receive will be in July 2016.*

Q Are you eligible to retire?

Only members who meet the eligibility requirements can retire. In order to retire, you must meet one or more of the following requirements:

- Members at or over age 60 and have five (5) or more years of actual and reciprocal service credit. (Any member with less than five (5) years of service credit with ATRS who also has reciprocal service credit, special counseling may be required to best protect the member.)*
- Members with at least twenty-eight (28) years of actual and reciprocal service credit at any age.*
- Members who have attained at least twenty-five (25) years of actual and reciprocal service credit at any age. The reduction is the lessor of the number of months by which the time of early retirement precedes the earlier of completion of 28 years of service credit or attainment of age 60, times a reduction factor of approximately .416% per month. This factor amounts to 5% per year, and is prorated according to service credit or age.*

Q Do you have a current estimate of your benefits?

Based upon policy and law changes that have occurred over time, old benefit estimates may have substantially changed. You can call ATRS (501-682-1517 or 1-800-666-2877), email ATRS (info@artrs.gov), or visit ATRS offices during regular business hours, 8:00 a.m. – 4:30 p.m., and obtain an updated estimate of benefits. An updated projection provides the most current information upon which to make a retirement decision.

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

Several members at the time of retirement are still completing purchase service accounts (established prior to July 1, 2011). Prior to retirement, all purchase accounts must be paid in full for the service to be recognized in calculating retirement benefits. Members planning to retire are urged to have a financial plan in place to complete payments on any outstanding purchase balances before retirement. ATRS strongly encourages members to have all purchase service accounts paid in full by May 31, 2014, in order to recognize the service credit in retirement benefit calculations.

Q Are you eligible to purchase additional service?

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

- *Changing noncontributory service to contributory service*
- *Repayment of refunded service (total withdrawal of member contributions plus interest)*
- *Out-of-state teaching service*
- *Private School service—both certified and classified service*

- *Sabbatical leave*
- *Previous unreported service (unreported in an ATRS covered position)*
- *Domestic Federal service*
- *Federal Retirement service*
- *National Guard and Armed Forces Reserve Service—year for year credit for reserve service*
- *Military Service*

*Although time is short to complete a purchase of service process and still be a July 1, 2014, retiree, it is still possible in some instances. For July 1, 2014, retirees, purchases of service must be completed before retirement for the service to be counted in benefit calculations. ATRS strongly encourages those members interested in purchasing service to **immediately** contact the ATRS Benefits & Counseling Department at **501-682-1517** or **1-800-666-2877** for estimated costs and further information.*

Q Have you obtained a retirement application from ATRS?

Some members make a decision to retire at the last minute. ATRS will provide a retirement application, or it can be found on the ATRS website. The application has certain areas that must be completed by both the member and the employer. A completed retirement application, including the employer's portion, must be filed with ATRS by May 31, 2014, in order to become a July 1, 2014, retiree. The decision to retire may be canceled up to and even after the effective date of retirement. After the effective date of retirement, the member has two calendar months to cancel retirement. There is no special form used to cancel retirement, so cancellation is achieved by contacting ATRS in writing via fax, email or letter. The cancellation notice must be received in writing by ATRS before the deadline.

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

To be a July 1, 2014, retiree, ATRS must receive your retirement application on or before May 31, 2014. The application may be delivered by fax, as a scanned document attached to an email, by personal delivery to the ATRS office, by courier such as Federal Express, or by the U.S. postal

service. If the application is mailed through the U.S.P.S, ATRS will treat the postmark as the date of receipt by ATRS. For all other types of delivery, **actual possession** by ATRS on or before May 31, 2014, is required. If mailed through the U.S.P.S, please make sure the postmark date is stamped legibly so it can be read by ATRS. There will be no delivery of Federal Express etc. on Saturday, May 31, 2014, due to the office being closed. Please take this into account when filing your retirement application. Although ATRS will have some staff available on Saturday, May 31, 2014 from 8:00 a.m. until 4:30 p.m., ATRS does not recommend using Saturday delivery of Federal Express or other courier service due to potential delivery problems. Please take this into account when filing the retirement application.

Please feel free to call ATRS (501-682-1517 or 1-800-666-2877) to confirm receipt of the application.

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

The answer is **no**. The retirement application may be withdrawn at any time prior to the effective date of retirement, July 1, 2014, plus a member has an additional two (2) calendar months from the effective date of retirement to cancel retirement. A July 1, 2014, retiree can cancel a retirement application through August 31, 2014. Any benefit payments made by ATRS must be returned promptly. However, after two (2) months have passed beyond the effective date of retirement, the decision does become irrevocable.

***PLEASE NOTE:** Due to IRS regulations, **T-DROP retirees** who elect to have all or part of the T-DROP balance rolled over to an outside administrator or as a cash distribution to the retiree, the eligibility to cancel retirement is limited to the time the T-DROP distribution leaves the possession of ATRS. Typically, ATRS processes outside administrator and cash distributions near the end of July or in early August. Therefore, the ability to revoke retirement that includes a T-DROP distribution would typically be shorter than two (2) calendar months. (If you utilize the ATRS CBA to rollover your T-DROP account and/or annuitize your T-DROP account with ATRS, you would still have the two (2) calendar months to cancel retirement.)

Q What paperwork/documentation should accompany your application?

If ATRS does not already have certain documents on file, a copy of the member's Social Security card and birth certificate is required. Depending upon which option is selected at retirement time (Straight Life Annuity, Option A, B, or C), a copy of the member's marriage license and the spouse's Social Security card and birth certificate may be required. Retirement time also provides a good opportunity to review and update beneficiaries, both Residue and Lump Sum Death designations.

PLEASE NOTE: *If a member has a Qualified Domestic Relations Order (QDRO), a certified copy of the order must be provided to ATRS. (Please contact the ATRS Membership Attorney at 501-682-1517, 1-800-666-2877, or info@artts.gov for more information regarding Divorce/QDRO.)*

Q What happens if you cannot obtain all needed paperwork by May 31st?

Lack of a Social Security card, birth certificate, or other necessary documents will delay the first benefit payment if the information is not received in time. ATRS will keep the retirement application pending for up to six (6) calendar months after the effective date of retirement. An extension may be granted after six (6) months for good cause shown. ATRS will tentatively accept the retirement application on or before May 31, 2014. During the time it takes to receive all required documents, benefit payments will not commence. Once ATRS receives the required documents, ATRS will pay all benefit payments due to the member retroactive to the effective date of retirement, and will continue to pay monthly benefits afterwards. If the required documents are not received by the deadline, including any extensions granted, the application will be voided and the member will be required to file a new retirement application. The effective date of retirement cannot be earlier than the filing date of the new retirement application.

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

Once the retirement application is filed, ATRS will send an acknowledgment letter with information regarding any needed or missing documents. ATRS staff will be available to assist in making changes in the retirement application, even after it is filed. A new retiree has one year after the effective date of retirement to make changes to the benefit option elected (Straight Life Annuity, Options A, B, or C). The benefit option election may be changed only once during the first year of retirement. If the election change reduces the member's payable monthly benefit, the member must reimburse ATRS any overpayment from the effective date of retirement, plus interest.

ATRS is available to help explain all retirement options and provide assistance with retirement decisions. Members may call (501-682-1517 or 1-800-666-2877), email (info@artrs.gov), or visit a counselor in the ATRS office for assistance prior to and after retirement.

Q What benefit option elections are available when you apply for benefits?

ATRS has four (4) elections for benefit payments. All benefit elections cover the ATRS retiree for the retiree's lifetime and three (3) of the elections allow the retiree to cover another individual (option beneficiary) after the retiree's death for all (Options A and B) or part (Option C) of the option beneficiary's lifetime.

Straight Life Annuity (SLA): *The election that provides maximum benefits for the retiree and does not provide coverage for any other individual after the retiree's death is "Straight Life Annuity." Upon the retiree's death, all monthly benefits cease and any applicable lump sum death benefit or residual accumulated member contributions will be paid to a designated beneficiary. In most instances, a member who has been retired for 18 (eighteen) months has no residual balance left, and only the death benefit, if applicable, will be paid. If a member annuitizes all or part of a T-DROP balance, a residual balance will usually remain payable up to 10 (ten) years after the effective date of retirement. If a retiree drawing SLA benefits dies within the first year of retirement, the spouse may elect to receive an Option A benefit if certain conditions are met and the spouse otherwise qualifies for Option A benefits.*

Option A and Option B: Option A or Option B provides for a retiree to receive monthly benefit payments for life and, if the retiree dies first, for the life of an eligible spouse or incapacitated child. If a member elects Option A or Option B, a monthly benefit will be payable until both the member and his or her beneficiary are deceased.

If a member elects an Option A benefit (100% of retiree's monthly benefit payable to option beneficiary) to cover a spouse or incapacitated child, the member's "Straight Life Annuity" is reduced by a predetermined formula developed by the ATRS actuaries. Upon the retiree's death, the retiree's monthly Option A benefit will be paid to a surviving option beneficiary for the rest of the option beneficiary's life.

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

If a member elects an Option B benefit, (50% of retiree's monthly benefit payable to option beneficiary) to cover a spouse or incapacitated child, the member's "Straight Life Annuity" is reduced by a predetermined formula developed by the ATRS actuaries. Upon the retiree's death, the retiree's monthly Option B benefit will be paid to a surviving option beneficiary for the rest of the option beneficiary's life.

Option B Example: The member elects an Option B benefit and has a monthly benefit of \$2,500. If the retiree dies, the Option B beneficiary receives approximately \$1,250 each month for the rest of his or her lifetime with an annual 3% COLA added each July 1.

Upon the death of an Option A or Option B beneficiary, divorce, or other marriage dissolution after retirement from a spouse designated as an Option A or Option B beneficiary, the member may return to the single lifetime benefit equivalent, "Straight Life Annuity," to become effective the month following the receipt of a written election form.

Option C: If a member elects an Option C benefit, ATRS guarantees that at least 120 benefit payments will be made. The retiree will receive a reduced benefit for that 120 months, and then "pops-up" to a straight life annuity (SLA) on the 121st month and draws a SLA benefit for the remainder of his or her life. If the retiree dies before receiving one hundred twenty (120) monthly benefit payments, the payments shall be continued for the remainder of the original 120 month period and be paid to the Option C beneficiary named by the retiree. If the Option C beneficiary

predeceases the retiree in the 1st 120 months, the retiree may name a successor beneficiary or may elect to return to "Straight Life Annuity." Effective the month following completion of 120 payments to the retiree, the retiree's monthly benefit shall return to the "Straight Life Annuity" and the Option C beneficiary no longer has rights to the retiree's benefit. The Option C beneficiary does not have to be a relative. The Option C beneficiary can be a person or any entity that has a tax payer identification number (TIN), such as a church or charity.

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

NOTE: For Option A or Option B beneficiaries, ATRS requires copies of the spouse's birth certificate, Social Security number, and a copy of the marriage license. For an incapacitated child, ATRS requires a probate order, birth certificate, and a Social Security card. For Option C, a copy of an entity's TIN or a person's Social Security Card is required.

Q Other than Option Beneficiaries, how many beneficiaries do you have to name, and what impact can occur by who is named?

Most retirees prefer to designate the beneficiaries who will receive any amounts payable upon their death. Retirees are not required to name beneficiaries, but should strongly consider doing so. If a retiree does not name beneficiaries, then his or her estate is paid the last benefit payment, the lump sum death benefit, if any, and any accumulated member contributions that might be payable. An estate requires legal action, and can take several months to establish. There can be legal and court costs associated with the establishment of a deceased person's estate. Named **primary** beneficiaries will receive the type and amount of payment designated on beneficiary forms filed with ATRS, and if primary beneficiaries predecease the retiree, the **contingent** beneficiaries will receive the type and amount of payments designated on beneficiary forms filed with ATRS. Retirees may designate up to three (3) separate beneficiary types:

Option Beneficiary: If a retiree chooses Option A, Option B, or Option C benefits, the member must select an option beneficiary to receive benefit payments upon the retiree's death. This may not be the case if a member selects Option C, and lives to draw a minimum of 120 payments. The Option Beneficiary election form is provided in the retirement packet

which is filed with ATRS at the time of retirement with the rest of the retirement application packet.

Residual Beneficiary: The residual beneficiary receives all contributions plus interest made by the retiree that have not already been paid to the retiree as monthly benefits. Most retirees exhaust the residual benefit in the 1st eighteen (18) months of retirement.

If a retiree is married, careful consideration should be given to the named residual **primary** beneficiary. If a retiree chooses a **Straight Life Annuity** and dies in the first year of retirement, the spouse may elect Option A lifetime benefits **only** if the spouse is named as the residual primary beneficiary. If someone other than a spouse is named as the residual primary beneficiary, the last retirement benefit payment due to the member in addition to the accumulated member contributions, if any, will be paid to the residual primary beneficiary or if the residual primary beneficiary is deceased, then the residual contingent beneficiary will receive the payments.

The Disposition of Residue – Beneficiary Designation Form is only one (1) page, and can be completed in less than five (5) minutes. It is available on the ATRS website under member/beneficiaries.

Lump Sum Death Benefit Beneficiary: Members with ten (10) or more years of **actual** service (cannot be reciprocal service or non-ATRS purchased service) are entitled to a death benefit up to \$10,000. If no beneficiary is named for the death benefit, it will be paid to the retiree's estate which causes delayed payment and associated legal fees for establishment of the estate. Both primary and contingent beneficiaries may be named as lump sum death benefit beneficiaries.

The Lump Sum Death Benefit – Beneficiary Designation Form is only one (1) page, and can be completed in less than five (5) minutes. It is available on the ATRS website under member/beneficiaries.

Q Did you know that members with ten (10) or more years of actual service credit will receive up to a \$75.00 monthly health stipend added to their retirement benefit?

In 1999 the ATRS Board of Trustees developed legislation that was approved by the General Assembly to add this special benefit to retirees. Currently, at least ten (10) years of actual ATRS service credit is required to qualify for the monthly stipend. The ten (10) years cannot be reciprocal service or non-ATRS purchased service. For instance, private school and out-of-state service that is purchased does not count in the ten-year requirement. The current amount of the stipend is the maximum amount allowed by law, \$75 per month added to the ATRS benefit payment or, \$900 per year, to long-serving ATRS members. Additionally, the stipend amount does receive the 3% simple COLA at the appropriate time. The COLA applies to the stipend so the stipend grows over time after a member retires.

Q You are approved as a July 1, 2014 retiree – what do you need to know?

Social Security: *Many retirees are concerned that receipt of Social Security benefits will reduce their ATRS benefit. **The good news: this is not true.** Although many state retirement systems do coordinate their benefits with Social Security, ATRS **does not** reduce its benefits once you become eligible for Social Security. So your Social Security benefit has no impact whatsoever on your ATRS benefit. ATRS retirees have the double benefit of both ATRS lifetime benefits and Social Security.*

Receipt of Monthly Benefits: *As a July 1, 2014, ATRS retiree, the first benefit payment will be made on the last working day of July unless paid earlier due to a special circumstance such as a potential ice storm. ATRS benefits are always paid on the last business day of each month. ATRS pays monthly benefits electronically to retirees' bank accounts in order to avoid lost or stolen paper checks. At the time of retirement, retirees will be asked to provide the necessary bank account information to ensure monthly benefit payments are deposited in the designated bank accounts. ATRS will create a paper check in certain instances when retroactive payments are due, but the paper check will always be mailed on the last working day of the month and will arrive later than the electronic payments to the bank accounts.*

Health Insurance: ATRS does not manage or administer the public school health insurance program for retirees. That program is administered by a separate state entity, **Employee Benefits Division (EBD)**. ATRS acts as a payment agent to withhold health insurance premiums and forward those premiums to EBD on behalf of retirees. The contact information for EBD is on the ATRS website links. If you feel ATRS may be able to help resolve a payment issue, please feel free to call ATRS for what help we can provide.

Q What about employment after you have retired on July 1, 2014 – what do you need to know?

New July 1, 2014, Retirees who are age 65 years or older before their official retirement date: Retirees age **65 years or older on or before** June 30, 2014, can receive their first retirement payment at the end of July and continue working for an ATRS employer **without termination or any separation**. A contract may be signed to work for the 2014-2015 school year at any time. Age **65 years or older** meets the definition of the ATRS law of "normal retirement age," and IRS rules do not require termination of employment or a separation period for a retiree who has reached the normal retirement age at retirement time. This is a specific benefit to long serving ATRS members who have reached the age 65 milestone and are still working.

For any other retiree who is not 65 years of age on the effective date of retirement, there is a TERMINATION SEPARATION PERIOD.

New July 1, 2014, Retirees with 38 or more years of ATRS recognized service credit and **UNDER age 65:** Retirees who are under age 65 and have 38 or more years of recognized service credit, must terminate employment with an ATRS employer as of June 30, 2014, and remain terminated with all ATRS employers, including colleges and universities, for the **calendar month of July**. Retirees must stop working for all ATRS employers during the month of July and may **not** enter into agreements to work for any ATRS employer before the termination separation period ends. A signed contract to work in the 2014-2015 school year must be canceled to make the contract no longer effective. **No** income may be earned from any ATRS employer, even for one (1) day of work or substituting. A new retiree can volunteer during the termination separation period as long as the volunteering is not used to hold a position open during the termination separation period. Retirees are strongly encouraged to get written clearance from ATRS before returning to work. ATRS strictly

enforces the termination separation period and failure to comply is financially harsh because the retiree must submit a new retirement application and repay all benefits received from the canceled retirement.

New July 1, 2014, Retirees with less than 38 years of recognized service credit service and UNDER age 65: *Retirees under age 65 with less than 38 years of recognized service credit must terminate employment as of June 30, 2014, with all ATRS employers, including colleges, for six (6) calendar months. In addition to ceasing work for all ATRS employers, there must be no agreements to work for any ATRS employer before the termination separation period of six calendar months ends. Any contract for the 2014-2015 fiscal year must be canceled to make the contract no longer effective. A new retiree may volunteer for an ATRS employer during the termination separation period as long as the volunteering is not used to hold a position open during the termination separation period. Retirees are strongly encouraged to get written clearance from ATRS before returning to work. ATRS strictly enforces the termination separation period and failure to comply is financially harsh because the retiree must submit a new retirement application and repay all benefits received from the canceled retirement.*

Q For July 1, 2014, retirement, the following is a handy chart to explain when a July 1, 2014, retiree may return to ATRS covered employment.

Age 65 before June 30, 2014.....No Separation Requirement/Immediately
Under age 65 with 38 or more years of recognized service credit.....August 1, 2014
Under age 65, all other retirees.....January 1, 2015

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

*Very good news: the answer is **No**. Once the termination separation period has ended, retirees may work for ATRS employer without any impact on ATRS retirement benefits. The earnings limitation that once applied to retirees returning to work for an ATRS employer was repealed in 2009. After completing the applicable termination separation period, retirees may work full time, obtain full*

salary, and also receive full retirement benefits without suspension or reduction. ATRS currently has approximately 3,000 retirees working for ATRS employers while still receiving 100% of their retirement benefits.

The statement above **does not** apply to **DISABILITY RETIREES**. Returning to work for an ATRS employer will cancel disability status if the disability retiree is under age 60 when any work for an ATRS employer is performed. Disability retirement will be canceled and the member will have to pay back disability benefits. Any disability retiree should check with ATRS before working for an ATRS employer, even if for one (1) day, including at athletic events. Disability retirement law is completely different than the law for regular retirees.

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

Yes. Retirees often change addresses or bank accounts during retirement. ATRS should be contacted promptly of any change of address to ensure delivery of correspondence from ATRS, such as tax documents. ATRS temporarily suspends benefits if tax documents are returned to ATRS and ATRS is unable to locate a retiree after a diligent search. Please keep addresses updated in retirement to prevent a disruption in benefits that occurs when ATRS cannot locate retirees during tax season. Any change in banks or bank account numbers should be reported to ATRS to prevent a delay in delivery of monthly benefits. A change in marital status could provide a change in benefit options or changes to your beneficiary forms. If any designated beneficiaries die, such as an option beneficiary, a residual beneficiary or a lump sum death beneficiary, beneficiary designation forms should be updated. Please contact ATRS for one-on-one counseling on these issues.