

July 1, 2018

Retirement Planner

Many ATRS members are contemplating whether July 1, 2018, should be their official retirement date, or if a future retirement date would be in their best interest. It is time to determine if this is the right time for *your* retirement and understand that ATRS today is as fundamentally strong as any public pension plan in the nation. Your retirement decisions (entry into T-DROP or actual retirement) should be based on what is best for you and your family. ATRS will try to provide several things to consider along with other retirement facts and information. This update may be a good one to print and keep available for future reference. The best approach is to obtain projections from ATRS that would provide estimates on how much your benefits would increase by waiting longer to enter T-DROP or retire.

Pause and Reflect

If you are considering retiring but are not 100% sure, you should think carefully before making a final retirement decision. The ATRS Board is focused upon preserving all benefit and annuity structures. Retiring earlier than you otherwise should can take retirement income from you and your family for the rest of your life. If you are eligible to retire, the decision to retire is yours to make; however, be sure you have carefully considered your options and chosen the right time to retire. Always feel free to call ATRS staff to help you consider all your ATRS options and always consider getting projections on alternative retirement dates to help guide your decision process.

Retirees

It is important to note that the simple cost of living adjustment (COLA) remains unchanged at 3% on the base benefit for all retirees who have been retired for at least 12 months on July 1, 2018. Unlike what has happened in many other state pension systems, ATRS retirees have seen no reduction in their COLA. All ATRS retirees can still be assured that the COLA maintains and may grow a retiree's buying power. A retiree who retired in 1980 has **181%** of the member's original buying power, for 1990 it is **163%** and for a 2000 retiree it is **116%**.

T-DROP Participation: Know the Facts

Many of you may not be ready to retire but may be ready to enter into the T-DROP program. You should look carefully at your personal situation before you follow the trend of entering the T-DROP program when you first reach 28 years of service. ATRS staff can provide T-DROP entry projections for you at 28, 29, 30 or more years of service credit. You should carefully consider future raises or possible promotions before locking in your retirement benefit to enter the T-DROP program. Soon after you enter T-DROP, the decision is permanent. You can always cancel your T-DROP application if you change your mind, up to 2 months after the effective date of your entry into T-DROP. Entering T-DROP with 28 year of service is not the right decision for all ATRS members.

Remember, there is reduction for each year that a member enters T -DROP before reaching 30 years of service credit. Therefore, a member with 28 years of service credit will receive approximately 60% of their regular monthly benefit versus approximately 65% with 29 years of service and 70% for 30 years of service.

Before you enter T-DROP, you should carefully consider whether it is the best decision for you to enter with 28, 29, 30, or even more years of service credit. The T-DROP plan is a 10-year plan with monthly deposits and thereafter pays interest only on the account balance. Be sure to consider your life plan and your work life intentions before entering into T-DROP too early. If you are about to have a materially higher salary after entering T-DROP, then T-DROP could be a big mistake for you. If you plan to work 15 more years after accruing 28 years of service, then entering T-DROP too soon will prevent you from having a much better financial outcome when you actually retire. Please call ATRS if you have questions. You may also feel free to call me directly. My direct line is 501-682-1820. My email address is georgeh@artrs.gov. I have also attached a ***T-DROP FAQ*** for review.

T-DROP Interest Rate

ATRS has a 10-year T-DROP program, a post 10-year T-DROP program, and the Cash Balance Account (CBA) program for members retiring from T-DROP that has guaranteed interest rates for life which currently go as high as 4% after 6 years with bonus interest payments when ATRS has strong returns. An important additional

benefit of using the CBA versus transferring funds to another administrator is that funds can be withdrawn from the CBA as early as age 55 **without** the 10% early withdrawal penalty that usually is applied until you reach age 59 1/2. ATRS pays between 3% and 6% interest on T-DROP balances (guaranteed 3% with higher rates up to 6% in years with a strong return by ATRS) during the 10-year accrual period, and between 4% and 6% (with a bonus rate of up to 7.5% when ATRS has strong returns) on post 10-year T-DROP balances.

Survivor Benefits

ATRS has the best survivor benefit that you will find in the whole country. The protection of the survivor program for active members who die in service is there for active members with 5 years of ATRS service. Minor children of deceased active members and T-DROP participants get 20% EACH (up to 60% of salary) of the member's best one year salary up to age 23 if the children continue, without interruption, as full-time students at an accredited secondary school, college, or university.

Ready to Retire and You're Sure

If you are sure it is time to retire, I have attached a summary of things to consider as you begin the retirement process. It is best to retire on July 1st rather than August 1st. Retiring on July 1st ensures you will receive the 3% simple Cost of Living Adjustment (COLA) the following July 1st. If you retire August 1st, you will wait 23 months to get your first COLA raise. You have to be retired a full fiscal year to get the first COLA and it becomes automatic after that on each July 1st. ATRS must receive your retirement application, or have it post marked from the U.S. Postal Service, on or before May 31st in order for you to become a July 1st retiree. Reduce your stress level and get your retirement application submitted early. You can always cancel your retirement application if you change your mind, up to 2 months after the effective date of benefits.

Many members will have questions about benefit options to cover a spouse and the impact of those options on the monthly benefit. For instance, a member may choose Straight Life Annuity to get the maximum monthly benefit or may take a reduction and protect a spouse or incapacitated child in the event of the retiree's untimely death. Some members will need to gather records such as birth certificates, Social Security cards, marriage licenses, and similar documents.

ATRS staff is here to assist you by mailing benefit estimates, answering your questions by telephone, by email at info@artrs.gov, and in person by visits to our office. The ATRS office is open to our members for meetings with counselors Monday through Friday from 8:00 a.m. until 4:30 p.m. Walk-ins are welcome but appointments are preferred to better assist you. Always feel comfortable to contact ATRS to assist you in this life changing process.

Additionally, you may get an estimate of your benefits at any time by using our online benefit estimator. The estimate provided by the online benefit estimator will be fairly close to the official projection that you would receive from ATRS. To get started just visit us at www.artrs.gov/login to sign up for an account, a process which takes approximately 10 minutes. After logging in, ATRS members can access the online benefit estimator under the "My Account" menu or directly at www.artrs.gov/my-account/benefit-estimator.

Members who register and complete the member verification process can access their member data, including salary and service credit history. For a short instructional video on how to register, visit us at www.artrs.gov/welcome.

For help with any issues regarding the website, questions about your benefits, or any other issue, you can contact ATRS locally at (501) 682-1517 or toll-free at (800) 666-2877.

*******IMPORTANT*******

Termination Separation Period

If it is really time for you to retire and after reviewing all information, then you will either be retiring from active service or retiring from T-DROP participation. For any member retiring who is **not** 65 years of age on the effective date of retirement, there is a **termination separation period**. **PLEASE, PLEASE, PLEASE** be sure if you retire that you know the length of your termination separation period and you understand that you cannot work for any ATRS employer during your termination separation period. The separation period ALWAYS begins on the 1st day of the month of your retirement effective date and is NOT from the last day that you worked. Most members retire on July 1st so most members cannot return back to work for an ATRS employer until January 1st of the next year which in this case is January 1, 2019.

If you have any questions on this topic, then please **ask first** before you attempt to return to work for an ATRS employer. The results of a mistake here are very costly for retirees. ATRS seeks to avoid any violations by working closely with members and ATRS employers. You should carefully read the portion on the termination separation period on your retirement application and related correspondence.

6 Month Separation Period: Required for Most Members

For members who are not 65 years of age on the effective date of retirement and have less than 38 years of recognized service credit by ATRS, you have a six month separation. If you are a July 1st retiree, you cannot return to work until January 1, 2019.

1 Month Separation Period: 38 or More Years of Service

If you have 38 or more years of service credit recognized by ATRS, you have a one month separation period from your effective retirement date. For instance, if you are a July 1st retiree, you must wait until August 1st to return to work. Be sure to ask ATRS about the amount of service credit that is recognized by ATRS. Do not rely on other sources for this information.

No Separation Period: Age 65 or Older on the Retirement Date

Once a member has reached age 65 and retires **afterwards**, no separation whatsoever is required. I have also attached a **Retirement FAQ** on basic active membership retirement for you to use and review. Always remember, you can call me and ask questions and receive a written response to a number of questions that might arise as you consider continuing to work, entering T-DROP, retiring, or returning to work after retirement. ATRS is here to serve you.