

## Retirement Planner

April 22, 2024

Retirement season is underway. Members who wish to retire or enroll in T-DROP effective July 1, 2024, **must file an application with ATRS by May 31, 2024.**

Eligible members may apply for retirement or T-DROP enrollment within minutes by using the member portal. Members may register for or access their member portal account on the ATRS website at <https://www.artrs.gov/login>. The process is simple and secure.

If you meet the following eligibility requirements for retirement or T-DROP participation you may submit a hardcopy application or apply online.

### **Retirement Eligibility:**

1. For age and service/voluntary retirement, members must be at least age 60 and have 5 or more years of credited service. However, if a member has at least 28 years of credited service, the member may retire at any age.
2. For early voluntary retirement, early reduced retirement benefits are payable if the member is under the age of 60 and has at least 25 years of credited service, including purchased or free credited service.
3. All purchase accounts, employer contributions, and employee contributions must be paid in full in order for the member to be eligible to apply for benefits.

### **Requirements for T-DROP Participation:**

1. Members must have at least 28 years of credited service.
2. Members must be active members of ATRS.
3. All purchase accounts, employer contributions, and employee contributions must be paid in full in order for the member to be eligible to apply for the program.

Retirement counselors are available through our many resources to assist members with their retirement needs. Counselors are available in-person, by phone, email, and Zoom. As priority will be given to members with previously scheduled appointments, members who would prefer an in-person or virtual consultation are strongly encouraged to schedule an appointment with a retirement counselor.

Counselors are available weekdays 8 a.m. to 4:30 p.m. by phone at (501) 682-1517 or by email at [info@artrs.gov](mailto:info@artrs.gov).

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In addition, retirement and T-DROP presentations, including instructions on how to complete retirement forms, are available directly at <https://www.artrs.gov/retirement-counseling>.

Many ATRS members are contemplating whether July 1, 2024, should be their official retirement date, or if a future retirement date would be in their best interest. It is never too early to determine when retirement will be right for you. Your retirement decisions (entry into T-DROP or actual retirement) should be based on what is best for you and your family.

Whenever you determine retirement is right for you, rest easy knowing that ATRS remains a fundamentally strong pension plan and will be ready to support you through your retirement. ATRS will try to provide you with several things to consider, including projections and estimates of your benefit amount based on your proposed retirement date and any applicable T-DROP participation.

### **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 on preserving all benefit and annuity structures. Retiring earlier than you should could cause you to receive a lower monthly benefit than you otherwise would have received 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 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) on the base benefit for all retirees who have been retired for at least 12 months remains unchanged at 3%. ATRS retirees have not seen a reduction in their COLA. All ATRS retirees can rest assured that the COLA maintains and may grow a retiree's buying power.

### **T-DROP Participation: Know the Facts**

Instead of regular retirement, many of you may prefer to participate in the T-DROP plan. The T-DROP plan is a 10-year plan with monthly account deposits. Interest is paid on the balance in the account.

You should carefully consider your personal situation before participating in the T-DROP plan. For example, if you are about to have a materially higher salary after entering T-DROP, then T-DROP could be a big mistake for you. Additionally, if you plan to work 15 more years after accruing 28 years of service, then entering T-DROP too soon may prevent you from having a much better financial outcome when you actually retire. Entering T-DROP with 28 years of service credit is not the right decision for all ATRS members.

You should also carefully consider whether it is best for you to enter T-DROP with 28, 29, 30, or more years of service credit. ATRS staff can provide T-DROP entry projections for you when you have 28, 29, 30, or more years of service credit.

A member's plan deposit is reduced for each year that a member enters T -DROP before reaching 30 years of service credit. For example, a member with 28 years of service credit will be subject to a 40% reduction, a member with 29 years of service credit will be subject to a 35% reduction, and a member with 30 years of service credit will be subject to a 30% reduction applied.

If you change your mind about participating in the T-DROP program, you may cancel your T-DROP application up to 2 full calendar months after the effective date of your entry into the T-DROP plan. If you do not cancel your T-DROP application within this timeframe, your participation in T-DROP will be irrevocable. For example, if a member has applied for T-DROP with a retirement effective date of July 1st, they will have until August 31<sup>st</sup> to cancel their T-DROP participation.

Please call ATRS if you have questions. We have included a link for you to review the T-DROP FAQs: <https://www.artrs.gov/t-drop>.

### **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. Each of these programs pay interest on account balances, which currently may be as high 4% subject to certain conditions being met. An important 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 applies until age 59½. 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 offers and provides highly competitive survivor benefits. Survivor benefits are available for the survivors of deceased active members, retirees, and T-DROP participants. Many members who want to retire will have questions about their benefit options and what option will best allow them to provide for their loved ones after their death. 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 member's untimely death. Some members will need to gather records such as birth certificates, Social Security cards, marriage licenses, and similar documents. Please contact ATRS for more information on survivor benefits that may be applicable to your situation.

## **Ready to Retire and You're Sure**

If you are sure it is time to retire, it is better to retire on July 1<sup>st</sup> rather than August 1<sup>st</sup>. Retiring on July 1<sup>st</sup> ensures you will receive the 3% simple Cost of Living Adjustment (COLA) the following July 1<sup>st</sup>. If you retire August 1<sup>st</sup>, you will wait 23 months to get your first COLA raise. You have to be retired for a full fiscal year to get the first COLA and it becomes automatic after that on each July 1<sup>st</sup>.

ATRS must receive your retirement application, or have it post marked from the U.S. Postal Service, on or before May 31<sup>st</sup> in order for you to become a July 1<sup>st</sup> retiree. Reduce your stress level and get your retirement application submitted early. If you change your mind about retiring, you may cancel your retirement application up to 2 full calendar months after the effective date of your retirement. For example, a member who has applied for retirement with a retirement effective date of July 1<sup>st</sup>, will have until August 31<sup>st</sup> to cancel their retirement. If you do not cancel your retirement application within this timeframe, your retirement will be irrevocable. Please note that if you cancel your retirement, you must pay back any retirement benefits that were paid to you.

You may obtain an estimate of your benefits at any time by using the online benefit estimator available through your member portal account. The estimate provided by the online benefit estimator will be fairly close to the official projection that you will receive from ATRS. To get started just visit <https://www.artrs.gov/login> to sign up for a member portal account. After logging in, ATRS members can access the online benefit estimator under the "My Account" menu. Members who register for a member portal account and complete the member verification process can access their member data, including salary and service credit history.

For help with any issues regarding the website, questions about your benefits, or any other issue, you may contact ATRS by calling (501) 682-1517 or emailing [info@artrs.gov](mailto:info@artrs.gov).

**\*\*\*\*\*IMPORTANT\*\*\*\*\***

## **Termination Separation Period**

For any member retiring who is **not** 65 years of age on the effective date of retirement or does not otherwise fall within the normal retirement age, there is a **mandatory termination separation period**.

**PLEASE, PLEASE, PLEASE** make sure that when you retire you know the length of your termination separation period and understand that you cannot work for any ATRS employer during your termination separation period. The separation period **ALWAYS** begins on the 1<sup>st</sup> day of the month of your effective retirement date and **DOES NOT** begin from the last day that you worked. Effective July 1, 2023, the separation period for those who do not meet the normal retirement age is 4 full calendar months. For example, members who retire on July 1<sup>st</sup> cannot return to work for an ATRS employer until November 1<sup>st</sup>.

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

### **Return to work**

Currently the normal retirement age allows members who are 65 years of age and have at least 5 years of actual service, or members who are 60 years of age and have at least 38 years of combined credited service (Rule of 98), to retire without separation of employment. Members who have not met the normal retirement age may not return to work for an ATRS covered employer until after 4 full calendar months from their effective retirement date.

### **Mid-Year Retirement**

All members who have accrued a full year of service credit (160 days or more) cannot have an effective retirement date that begins before July 1. However, this rule does not apply to: (1) members who are the normal retirement age and not separating from service, and (2) members who are vacating a classroom and are not licensed or otherwise certified classroom teachers.