How are T-DROP Funds Distributed?

Members have several distribution options to receive their accumulated T-DROP funds:

- Annuitize: Elect to have all or a portion of T-DROP funds annuitized into their monthly benefit, which increases the retirement benefit for the member’s lifetime.
- Cash Balance Account (CBA): Elect to have all or a portion of T-DROP funds deposited into an in-house interest-bearing account, with rates starting at 2.5% and growing up to 4% over time. This election allows members to take a distribution or a rollover from their CBA up to 6 times per fiscal quarter.
- Rollover: Elect to have all or a portion of T-DROP funds rolled over into a qualified retirement plan, tax-free. Note: this option is irrevocable.
- Lump Sum Distribution: Elect to have all or a portion of T-DROP funds paid out directly to the member as a taxable distribution.

A member may change their T-DROP distribution option up to 2 full calendar months from their effective retirement date, except where noted above. Members may choose one or a combination of the above options as long as 100% of the balance is distributed.

Are Members Allowed to Work after Retiring out of T-DROP?

Yes, provided a member meets all regular retirement requirements. To start receiving retirement benefits, members will have to terminate and separate from ATRS covered employment. Retirees will have a 4-month termination separation period, beginning on their effective retirement date, during which they cannot work for an ATRS covered employer.

If members meet Normal Retirement Age requirements, they can work for an ATRS covered employer immediately after retiring from the System and do not have to terminate from their position. Normal Retirement Age is defined as satisfying one of the below criteria:

- Members are at least 65 years old before effective retirement date; or
- Members are at least 60 years old before their effective retirement date and the sum of their age and combined years of service credit in ATRS, T-DROP, or established reciprocal service, totals 98. (Example: Age 62 + 36 years of service credit = 98.)

If at any point a member returns to an ATRS covered employer as a working retiree, they will no longer earn service credit or make contributions to the System.

Submitting a T-DROP Application

Applications for T-DROP must be submitted to ATRS within the 3-month filing deadline of March 1 through May 31. It is the member’s responsibility to ensure their application has been received by the deadline. Applications may be submitted in person, via email, via fax, via the ATRS Member Portal or mailed (must be postmarked by May 31).

Contact Us :
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201

Phone: 501-682-1517
Fax: 501-682-2359
Email: info@artrs.gov
Website: www.artrs.gov

Sign up for direct access to specific account information and to receive Executive Director updates through your ATRS Member Portal at **www.artrs.gov/login.**

Hours of Operation:
8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

Arkansas Teacher Retirement System (ATRS) Disclaimer:

This brochure does not and is not intended to replace Arkansas Law, the ATRS rules, or the System’s policies. These laws, rules, and policies are subject to change periodically through legislation enacted by the Arkansas General Assembly or changes adopted by the ATRS Board. If there is a conflict between the information contained in this brochure and Arkansas Law, ATRS rules, or ATRS policies, the Arkansas Law, ATRS rules, and ATRS policies will control. If you have questions about the information in this brochure, please contact ATRS for clarification.

T-DROP

What Members Need to Know

ARTRS
Arkansas Teacher Retirement System

ATRS and T-DROP

The Arkansas Teacher Retirement System (ATRS or System) is a defined benefit plan with more than 330 participating employers and 143,000 active and retired members. ATRS provides lifetime retirement benefits to eligible retirees in the form of an annuity. Members who are not yet ready to retire, and want to maximize their ATRS retirement benefit while growing their savings, can elect to participate in our Teacher Deferred Retirement Option Plan, or T-DROP. Enrollment in T-DROP is offered only on July 1.

In order to enter T-DROP with full participation, a member must have at least 30 years of service credit. Early participation in T-DROP allows members with at least 28 years of service credit to enter, with a reduction for early entry. Total years of service credit include ATRS service credit, purchased service credit, and established reciprocal service credit. A member must be active in ATRS or an Arkansas state-supported reciprocal plan to participate.

Members entering T-DROP "freeze" their would-be retirement benefit while continuing to work. A portion of the retirement benefit is deposited into a separate T-DROP account, which earns interest annually. While in T-DROP, a member is considered active but does not accrue service credit or pay member contributions

Members can be active with monthly T-DROP deposits for 10 consecutive years. Once a member retires out of T-DROP, they cannot participate again.

How is T-DROP Calculated?

The T-DROP deposit is based on what the member's monthly retirement benefit would be if they retired, with a 1% reduction for each year of service credit. Members with at least 30 years of service credit may elect to participate in T-DROP with full participation. Members with at least 28 years of service credit may elect to participate with an early participation reduction. The reduction is an additional 6% for each year less than 30 years of service credit, or 12% at 28 years of service credit and 6% at 29 years of service credit.

ATRS uses a member's years of service credit (contributory, noncontributory, and purchased), their final average salary (FAS), and current multiplier(s) to calculate their monthly retirement benefit. If eligible, the $50 monthly retirement benefit stipend is not added into the monthly retirement benefit until a member retires out of T-DROP.

When are T-DROP Deposits Made?

T-DROP deposits are made each month, totaling 12 deposits per fiscal year. T-DROP members must accrue a minimum number of service credit days each quarter to receive all 12 of their monthly T-DROP deposits. If a T-DROP member separates from or terminates employment with ATRS or a reciprocal service employer, or they pass away, their monthly T-DROP deposits stop.

When can Members Enter T-DROP?

Participation in T-DROP is offered only on July 1. A member may not have any underpayments or open purchase accounts when entering; all accounts must be paid in full. Members must submit T-DROP paperwork no earlier than March 1 and no later than May 31. The application must be completed by the member and their ATRS employer if they are active in the System. A member's participation in T-DROP is irrevocable (permanent) after August 31. **It is the member's responsibility to ensure that paperwork is submitted ON TIME to ATRS, as there are no exceptions to the May 31 deadline.**

How does Reciprocal Service and T-DROP work?

If a member has reciprocal service, it must be established prior to entering T-DROP. Members must be active in ATRS or an Arkansas state-supported retirement (reciprocal) system while participating in T-DROP. If a member is active in a reciprocal system and enters that reciprocal system's DROP mid fiscal-year, the member must wait to enter the ATRS T-DROP the following July 1. The higher FAS between the retirement systems will be used, provided the member has at least 2 years of established service credit in the respective system. Our retirement counselors exchange member FAS information with the reciprocal systems.

How much Interest does T-DROP Earn?

A T-DROP account earns interest on the mean balance every June 30. Set by the ATRS Board, the interest rate is fixed at 3%. The Board may grant rates as high as 6% depending on returns. If a member retires out of T-DROP prior to July 1, they do not receive the T-DROP interest for the last fiscal year of participation.

What are the Benefits of Participating in T-DROP?

- Continue to work and grow retirement
- No contributions withheld from payroll
- Can change jobs under your ATRS covered employer
- No limit on salary earned
- No loss of school benefits
- Guaranteed interest for the length of participation time
- No minimum participation time
- Retire out of T-DROP when YOU are ready
- Countless ways to utilize T-DROP funds once retired

Do Members Receive a Cost of Living Adjustment (COLA) in T-DROP?

Yes, a member's regular retirement benefit receives a 3% COLA each July 1 as if that member had retired. Increases on the T-DROP deposit will reflect the COLA.

Can Members Participate in T-DROP for more than 10 years?

Absolutely! A member will not receive monthly deposits past the 10 consecutive years of T-DROP participation; however, they will continue to receive annual interest on June 30. The interest rate varies between 4% and 6%.

How do Members Retire out of T-DROP?

A member must submit a completed Application for Retirement, a T-DROP Account Distribution Request, and any other required forms and documentation. To begin drawing a monthly retirement benefit, members must meet all retirement eligibility requirements, which includes termination of all ATRS covered employment if applicable.

Along with the required forms, members must have documentation verifying their age and a Social Security card on file. Members are encouraged to update their beneficiary form.