YOUR ROAD TO RETIREMENT



ASHERS

Arkansas State Highway Employees' Retirement System

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TWENTY-SECOND EDITION • 2026

This booklet provides information **about your** Arkansas State Highway Employees' Retirement System (ASHERS). It offers a non-technical view of the provisions of the retirement laws that pertain to you as an Arkansas Department of Transportation employee and a member of the Arkansas State Highway Employees' Retirement System.

These benefits are in addition to any you may be entitled to receive from Social Security.

It is the desire of the Board of Trustees that each member of the System have a complete understanding of their benefits. If the information contained in this booklet fails to answer any questions you may have regarding your retirement, you should contact the Benefits and Compensation Division – Retirement Office at:

ARKANSAS STATE HIGHWAY EMPLOYEES' RETIREMENT SYSTEM
P.O. Box 2261
Little Rock, Arkansas 72203-2261
501-569-2411

The Retirement Office is in the Arkansas Department of Transportation - Central Offices, Room 405, located at 10324 Interstate 30 in Little Rock. If you feel your needs would be better served in person, please call for an appointment and visit the Retirement Office.

Mission Statement

To provide a sustainable, sound pension system through prudent investment of contributions; accurate recordkeeping and financial stewardship of system assets in order to provide income for all retired employees of the Arkansas Department of Transportation and their beneficiaries.

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HISTORY

Act 454 of 1949, as amended, established the Arkansas State Highway Employees' Retirement System.

A seven-person Board of Trustees and an Executive Secretary administer its operation. Four of the Trustees, the Director of the Arkansas Department of Transportation, the Assistant Chief of Finance of the Arkansas Department of Transportation, the Treasurer of the State of Arkansas, and the Secretary of the Arkansas State Finance and Administration Department, are statutory members. Two Board members are elected by the active members of the System; and the retired member is elected by retirees and active DROP (Deferred Retirement Option Plan) participants. An election is held each June to replace the Board members whose two-year term is expiring.

The Board of Trustees will select an Executive Secretary. This position does not vote on Board decisions.

A committee of the Board of Trustees is responsible for investing the funds of the System in securities authorized as Retirement System Investments by the laws of the State of Arkansas. Investment counselors are employed by the Board of Trustees to invest the funds on a discretionary basis as defined in the investment policies adopted by the Board.

ASHERS BOARD OF TRUSTEES

Statutory Members

Jared Wiley
Director, Arkansas Department of Transportation

Corey Key
Assistant Chief of Finance, Arkansas Department of Transportation

John Thurston
Arkansas State Treasurer

Jim Hudson
Secretary, Arkansas Department of Finance and Administration

Elected Members

Deric Wyatt
Active Employee Representative
Term Expires 6-30-2028

Ronda Walthall
Active Employee Representative
Term Expires 6-30-2027

Lorie Tudor
Retiree Representative
Term Expires 6-30-2027

ASHERS Executive Secretary

Robyn M. Smith

MEMBERSHIP

Every active employee of the Arkansas Department of Transportation, who is not a member of the DROP, is a member of the System. Membership is excluded for individuals who are employees of the Arkansas Department of Transportation on or after July 1, 1997, and who are receiving benefits from a reciprocal retirement system.

Membership in the System may be terminated by retirement, disability, death or withdrawal, whether voluntarily or involuntarily, from active service with the Arkansas Department of Transportation.

CONTRIBUTIONS

All members contribute 7% of their total earnings to the System and the Arkansas Department of Transportation, as the employer, contributes 14.9% of the total payroll.

The Department's contribution is determined by actuarial data formulated to assure the System has adequate resources for payments and operating expenses and has no relation to the 7% paid by the employees. **The members do not have any legal claim on contributions made by the Department to the System**.

REFUNDED SERVICE

In order to purchase refunded service time, those employed with the Arkansas Department of Transportation, or a reciprocal system must contact the Retirement Office. Once approved, the employee must make a lump sum payment based on an actuarial equivalent as prescribed by the Board. This payment may be made by using post tax dollars or funds transferred by a direct rollover from a 401k, traditional IRA, or a 457 deferred compensation plan.

"Actuarial Equivalent" means the amount the member will pay is the same as the actuarial cost of the benefit. The calculator used by the System is furnished by the actuary.

RECIPROCAL SYSTEM

A "Reciprocal System" is a retirement system that allows covered employees to establish "reciprocal" service credit. Those systems that allow members to establish "reciprocal" service credit are the Arkansas State Highway Employees' Retirement System, the Arkansas Teacher Retirement System, the Arkansas Public Employees' Retirement System, the Arkansas State Police Retirement System, the Arkansas Judicial Retirement System, the Arkansas Local Police and Fire Retirement System (excluding time as a volunteer with a police or fire department), Alternate retirement plans for a college, university, or the Department of Higher Education provided under Arkansas Code Annotated §24-7-801, and a vocational-technical school or the Department of Career Education provided for under Arkansas Code Annotated §24-7-901.

A current state employee who is a former member of a reciprocal system, who is not receiving a retirement benefit and is not in the DROP may re-establish the service credits in the respective system to which the member formerly belonged. Employees establishing reciprocal service must make the appropriate contributions with the previous retirement system(s). The service is then combined to determine eligibility for retirement based on length of service only. If total credited service in all systems equals the minimum required, each system will compute the benefits applicable to the time of service the employee has with the respective agency.

For individuals who have service covered by two or more reciprocal systems prior to June 30, 2021, their ASHERS annuity benefit will be based on the "State" final average salary. For employees who transfer to or from another system after June 30, 2021, their ASHERS annuity benefit will be based on the consecutive average salary at ARDOT.

A member may be considered a deferred member of a reciprocal plan if they have not withdrawn their contributions or were a member of a non-contributory plan.

MILITARY SERVICE

Limited credit, not to exceed five (5) years, for Military Prior service may be purchased in the Arkansas State Highway Employees' Retirement System if the following requirements are met.

a. The member has five (5) years of creditable service with the Arkansas State Highway Employees' Retirement System
b. The member received an honorable discharge from the Armed Forces.

Limited credit, not to exceed three (3) years, for Military Leave Without Pay service may be purchased in the Arkansas State Highway Employees' Retirement System if the following requirements are met.

c. The member has ten (10) years of creditable service with the Arkansas State Highway Employees' Retirement System.
d. The member received an honorable discharge from the Armed Forces.
e. The member is not receiving federal military service retirement pay, excluding federal military disability retirement pay.

The amount of military time a member may purchase is limited to the time spent on active duty or five (5) years, whichever is less. No member is eligible to purchase creditable military service in more than one State of Arkansas supported retirement system.

There are two conditions under which the member may purchase credit for military service.

1. **Military Prior:** A member of the Arkansas State Highway Employees' Retirement System who was discharged from active service in the Armed Forces of the United States prior to being employed by a State of Arkansas supported retirement system is entitled to purchase military time as creditable service in the System. The calculation to determine the amount to be paid by the member can be found in Arkansas Code Annotated §24-2-502.
2. **Military Leave Without Pay:** A member of the Arkansas State Highway Employees' Retirement System, who entered active

service in the Armed Forces of the United States after having previously been employed by a position covered by a State of Arkansas supported retirement system, is entitled to purchase military time as creditable service in the System. For this benefit, the member must pay an actuarial equivalent as prescribed by the Board.

A member must submit a *Federal Form DD-214* in order to have the cost of service calculated.

QUALIFICATIONS FOR RETIREMENT

A member of the Arkansas State Highway Employees' Retirement System must meet the following age and service requirements before he or she is eligible for retirement benefits.

AGE	CREDITABLE SERVICE TIME
65	5 Years
62	15 Years
60	20 Years
55 with reduction	5 Years
Any	28 Years *
Any	5 Years if Disabled and Disability is permanent or of long duration.

When the minimum of five (5) years of creditable service is obtained, the member's retirement benefits are vested, and the member may retire upon meeting the age requirement regardless of where employed. The only requirement is that the member must leave their contributions with the Arkansas State Highway Employees' Retirement System, if no longer employed with the Department.

**To join the DROP, these employees must have 30 years of service.*

APPLYING FOR RETIREMENT

Prior to the date the employee anticipates retiring, they must submit a Request for Retirement or Deferred Retirement Option Plan (DROP) application. The effective retirement date shall not be retroactive to a date prior to the application. Entry into DROP begins the first day of a pay period.

In order to begin receiving retirement benefits or enter the DROP, the employee should notify their supervisor of their intention to retire as well as their effective retirement or DROP date. The employee must then complete both pages of a ***Request for Retirement (Forms 19-300, 19-310, and 19-312),*** and select an annuity option: Straight Life, Option A, or Option B. Completed forms should be forwarded to the Retirement Office through the Division/District payroll personnel. If the beneficiary of a deceased employee is eligible to receive benefits, they must notify the Retirement Office to apply for an annuity

APPLYING FOR DISABILITY RETIREMENT

When applying for disability retirement, a ***Request for Disability Retirement (Form 19-311)*** must be completed. Upon receipt of the completed form, the Retirement Office will forward the medical forms to the applicant's physician(s) for completion. Upon receipt of the completed medical forms by the Retirement Office, the documentation is then evaluated by the Medical Board, which consists of physicians, to determine if the employee's condition makes them eligible for disability retirement. To qualify for disability the health conditions of the applicant must prevent them from performing their assigned duties and must be permanent or of long duration. The Medical Board meets quarterly. ***The System will reimburse the member up to $25.00 for copies of medical records.***

No member will be eligible to receive disability benefits for a disability incurred prior to becoming a member of the System.

A member who is retired because of disability shall be required to undergo periodic medical examinations at the discretion of the Board. If and when a medical examination shows that the disability has been removed, disability retirement benefits shall cease.

If a disability retirant secures employment with a non-public employer, the retirant shall be allowed to earn compensation from that employment for nine (9) months, during which period of time the retirant shall receive **no monthly benefits** from the System. If, at the end of the nine-month trial period, the retirant wishes to continue their employment outside the System, then the disability retirement status shall terminate.

A disability retirant may earn an amount less than what is considered by the Social Security Administration as the maximum amount that a person under sixty- five (65) years of age may earn; without losing disability benefits.

A member, who is retired because of a disability, shall be required to submit proof of income on a periodic basis. If the disability retirant refuses to submit the requested paperwork, their annuity will cease until the documents are received. In the event, a member is found to be out of compliance regarding disability retirement qualifications, their annuity benefit shall cease until such time as they meet eligibility requirements for service retirement. In addition, they will be ineligible for reemployment with ARDOT; and their personnel record should reflect the classification of "not eligible for rehire."

RETIREMENT BENEFITS

Retirement benefits are determined using the following formula:

> **Number of years of creditable service (*times*) two and two-tenths percent (2.2%) (*times*) the average of the five (5) highest consecutive year's earnings.**
>
> **This annual annuity is then divided by twelve (12) to determine the monthly benefits.**

Once the benefit amount has been determined, amounts to be paid to the retirees or beneficiaries are subject to the conditions defined by the Straight Life Annuity, Option A, or Option B.

HEALTH CARE OFFSET

For employees who retire with ten (10 or more years of ASHERS service), a monthly health care offset will be added to their monthly annuity payment (Arkansas Code Annotated §24-5-125(c)). This benefit is to help offset the cost of health insurance and health care. The amount applied is determined as follows:

Years of Service	Amount
10 years but less than 15 years	$ 75.00
15 years but less than 20 years	100.00
20 years or more	125.00

Note: For employees enrolling in the DROP as of 07/01/2021 or later, the health care offset will not be included in the benefit amount used for their DROP deposit. The health care offset will be paid beginning with the first annuity payment following termination of employment with ARDOT.

The health care offset is not included in the benefit amount used for calculating the annual COLA.

COLA

An annual Cost of Living Adjustment (COLA) is awarded on July 1 of each year for those individuals who have been retired or a DROP participant at least one year. The increase is a calculated percentage change of the benefits received as of June 30 each year. To calculate the annual COLA, the Consumer Price Index for Urban Wage Earners & Clerical Workers (CPI-W) for the 1-year period ending December of the previous calendar year is used. The COLA is capped at 3%.

The annual total for the health care offset is not included in the COLA calculation.

EARLY RETIREMENT WITH REDUCED ANNUITY

A member may take an early retirement with reduced annuity, if they are at least 55 years old and have at least five (5) years creditable service. However, the amount of the annuity (after considering the effects of the option selected, Straight Life, A, or B) is reduced by 8/10 of 1% (.008) for each of the first 60 months or fraction thereof, and 3/10 of 1% (.003) for the next 60 months or fraction thereof that the early retirement date precedes the date the member could have retired without a reduction (see Qualifications for Retirement). Early retirement does not reduce the health care offset benefit.

RETURN TO WORK AFTER RETIREMENT

A member who terminates employment, by retirement through ASHERS, is ineligible for rehire. The only exceptions to this policy are retirees who terminated employment through disability retirement, provided their disability has been officially removed. For those situations, please notify the Retirement Office for assistance.

OPTIONS AVAILABLE

Options available to retiring members include the ***Straight Life Annuity, Option A, or Option B***.
Estimates of the annuities may be calculated using the Department's intranet through the Retirement Section link.

The ***STRAIGHT LIFE ANNUITY*** pays the monthly amount determined using the formula in the ***Retirement Benefits*** section of this booklet for the life of the retiree. Upon the death of the retiree, the named beneficiary receives a pro-rated amount for the portion of the last month that the retiree lived. The beneficiary will also receive the amount in the retiree's contribution account on the date of retirement; less total annuities paid from the date of retirement until the retiree's death. If the total annuities paid have equaled or exceeded the retiree's contributions, there will be a zero balance and nothing will be paid to the beneficiary.

OPTION A pays a percentage of the ***Straight Life Annuity*** to the retiree for life. The amount is calculated using the member's age at retirement. If the retiree dies within 120 months of terminating employment, the beneficiary will receive payments for the remainder of the 120 months (120 months less the number of monthly payments made to the retiree). At the end of the 120 months, all payments will stop.

If the retiree lives to receive 120 or more monthly payments, only the portion of the last month the retiree lived will be paid to their beneficiary. No additional payments will be made.

OPTION B pays a percentage of the ***Straight Life Annuity.*** The annuity payable to the retirant and the surviving beneficiary shall be reduced by an amount calculated to provide an actuarially equivalent benefit to the Straight Life Annuity.

Option B is available only if the beneficiary meets the requirements of one of the following two categories:

1. A spouse who is married to the retiree for at least one (1) year immediately preceding the due date of the first annuity payment or payment in the DROP.
2. A person forty (40) years of age or older on the first payment due date who has received more than one-half of their support from the retiree for at least two (2) years immediately preceding the first payment due date of the retiree's annuity.

To take advantage of this adjustment, the taxpayer and/or individual must meet the following conditions and standards:

- **A.** The individual with disabilities is a natural or adopted child, or a dependent of the taxpayer.
- **B.** The taxpayer maintained, supported, and cared for the individual with total and permanent disabilities in the taxpayer's home.
- **C.** An individual with total and permanent disabilities includes any person who was unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months.
- **D.** A physical or mental impairment is an impairment which results in anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical or laboratory diagnostic techniques.
- **E.** The above individual has been diagnosed by a physician as having total and permanent disabilities as outlined in conditions of 3 and 4 above.
- **F.** The member must produce confirmation that the appropriate ***Individual Arkansas Tax form (AR1000DC)*** was filed two (2) years immediately preceding the first payment due date of the retiree's annuity or DROP payment.

Under ***Option B***, upon the death of the retiree, the retiree's beneficiary receives one-half of the retiree's annuities for the remainder of the beneficiary's life. If the beneficiary dies prior to the retiree, payments stop upon the death of the retiree.

After the first annuity or DROP deposit is paid, a change from one option to another is not permitted. However, the retiree may change to a ***Straight Life Annuity*** when the beneficiary under Option B dies or the marriage is dissolved by divorce. In this case, the member (retiree) must submit the required supporting documents such as a death certificate or divorce decree and request that the Retirement Office change their plan from Option B to Straight Life Annuity.

DEATH IN-SERVICE BENEFITS

A benefit for Death In-Service is due a spouse or other named beneficiary(ies) provided the member has five (5) or more years of credited service.

Spouse* (Arkansas Code Annotated §24-5-116 (a)(3)):

- Will be able to begin receiving full monthly benefits upon the death of the member by selecting Option A.
- May wait until the member would have been the appropriate age, with the amount of credited service at the time of death by selecting Option B survivor benefit.
- May take a lump sum payment of the contributions and interest accrued to the member at the date of their death.

**Must be the spouse for at least one year immediately preceding employee's death.*

Other Named Beneficiary(ies)* (Arkansas Code Annotated §24-5-116 (a)(4)):

- Will be able to begin receiving a full monthly Option A benefit.
- May take a lump sum payment of the contributions and interest accrued to the member at the date of their death.

To determine when the deceased person would meet full retirement; the service time at the date of death is compared to the age requirements listed in the ***Qualifications for Retirement*** section of this booklet.

If a member with less than five (5) years of creditable service dies, their beneficiary receives the balance in the member's contribution account. Interest is paid on the contribution account, if the member has contributed to the System for at least one (1) year. (Arkansas Code Annotated §24-5-116 (a)(2))

Upon receiving notification of the death of a member or retiree, the Retirement Office will contact the beneficiary for completion of the necessary papers to begin payment of benefits.

Act 1089 of 1997 provides a $15,000 death benefit for all active members.

Act 482 of 2001 provides a $7,500 death benefit for retired members.

TAXES

All benefits paid or withdrawals of contributions are subject to State and Federal income tax. It is the responsibility of the person(s) receiving the payments to make sure that the amount of taxes being withheld is sufficient.

PERSONAL LOANS

All contributions paid into the fund by the employee and the Department are invested to build the future annuity benefit for each employee. Because the monies are necessary for investment purposes, individuals are not allowed to take out loans from the System.

In addition, it is against IRS regulations to use a 401(a) retirement plan as collateral for a loan.

FUND

When a member terminates employment with the Arkansas Department of Transportation and wants their contributions to the System refunded, they are required to complete a ***Request for Refund of Accumulated Contributions (Form 19-309)***. Contributions will not be refunded unless a completed Form 19-309 is forwarded to the Retirement Office.

Contributions of less than $250.00 are forfeited by any former member who does not request withdrawal of the contributions within three (3) years after leaving employment with the Arkansas Department of Transportation.

Full-time regular employees who withdraw their contributions from the System cannot be rehired by ARDOT for twelve (12) months after the withdrawal.

BENEFICIARIES

It is very important for members to keep the Retirement Office informed of any changes in their beneficiary(ies). The beneficiary may change for a number of reasons, but the death of a beneficiary or a change in marital status require that an update to the System records be made.

A completed ***Change of Beneficiary (Form 19-307)*** must be forwarded to the Retirement Office to make any beneficiary changes. After retiring or terminating employment with the Arkansas Department of Transportation, members should keep their beneficiary(ies) current if their contributions remain on deposit with the System.

The only way for a member to ensure their contributions are distributed as desired is to keep the Retirement Office informed of changes.

FORMS

All forms needed to apply for retirement or make the necessary changes are available in the payroll office of the District/Division Office, and on the Department's website under the Retirement Section.

ANNUAL STATEMENT

Annual statements are mailed to every person who is a member of the System. The statement shows the amount of their contributions and the accumulated interest as of June 30. Although interest is recorded on every account, it is payable only upon withdrawal of funds and is only paid to those who have been a contributing member for at least one (1) year.

DEFERRED RETIREMENT OPTION PLAN (DROP)

A two-tiered Deferred Retirement Option Plan is available to members of the System.

Tier 1 (Initial 5-year period):

The employee's retirement benefits are calculated and 90% of this amount is deposited in the member's DROP account. Active employees hired on or before 06/30/2021 will not pay the active employee contributory amount. For employees hired after 06/30/2021, a contribution equal to the rate of active employees will be required during participation in the DROP.

Tier 2 (End of Tier 1 up to age 65):

An employee may continue working after completing the initial 5-year period, as long as that individual is less than 65 years of age. The amount of money deposited into the employee's DROP account will be reduced to 79%. Employees hired on or before 06/30/2021, will resume paying contributions at a rate of 6%. Employees hired after 06/30/2021 will be required to contribute at a rate equal to active employees. There is no recalculation of retirement benefits under this plan.

Under Tier 2, the employee must cease employment the day before their 65th birthday.

Beginning 07/01/2021, the Department will pay the full employer contributory match for all active employees participating in the DROP.

QUALIFIED DOMESTIC RELATIONS ORDER

The Arkansas State Highway Employees' Retirement System, by law, has submitted a recommended Qualified Domestic Relations Order (QDRO) to the Legislative Council for their approval. This recommended form is available for retirees, spouses, and attorneys.

QDRO directives will be honored. QDROs, which result in a lump sum payout, will affect your benefit unless the amount plus interest is repaid to the System within six months.

INSURANCE

To be eligible for ARBenefits retiree coverage, one of the following conditions must be met.

1. Employees hired before July 1, 2022, must be an active member of the ARBenefits plan on the last day of their employment; and begin drawing an annuity through their participating system.
2. Employees, hired after July 1, 2022, must have five (5) cumulative years enrolled on the ARBenefits plan before retirement; and are vested members of one of the participating retirement systems, are retired as determined by one or more of those retirement systems; and begin drawing an annuity through their participating retirement system.
3. Must elect to continue insurance coverage within 30 days after meeting criteria in 1 and 2 as listed above.
4. Former employees are held to the retirement eligibility rules in place when they left employment with the State.

Participating Retirement Systems:

- Arkansas Public Employees' Retirement System (APERS), including member of the legislative division and the contract personnel of the Arkansas National Guard
- Arkansas Teacher Retirement System (ATRS)
- Arkansas State Highway Employees' Retirement System (ASHERS)
- Arkansas Judicial Retirement System (AJRS)
- Alternative Retirement Plan (for a college, university, or the Department of Higher Education)

Retirees not yet eligible for Medicare:

A retiree not eligible for Medicare will have the option of the ARBenefits Premium, Classic or Basic Plan until retiree and/or spouse becomes eligible for Medicare. A retiree/spouse has two options once eligible for Medicare:

1. ARBenefits Group Medicare Advantage Plan
2. ARBenefits Premium Plan (Medicare Primary)

Note: Retiree/spouse that are eligible for Medicare, must have Part A and Part B of Medicare.

Dependents:

Dependents may participate in the State insurance plan if the dependent is your current legal spouse. Neither current spouses eligible for coverage through their employer nor former spouses with court orders requiring coverage are allowed coverage by the State insurance plan.



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