

State of Alaska
Division of Retirement & Benefits

Public Employees Retirement System Defined Benefit Plan

(PERS) Tier I / Tier II / Tier III

Retirement Process

Presented by Division of Retirement & Benefits



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PERS Plans

Defined Benefit Plan

- **Tier I** – first enrolled in PERS prior to July 1, 1986
- **Tier II** – first enrolled in PERS on or after July 1, 1986 through June 30, 1996
- **Tier III** – first enrolled in PERS on or after July 1, 1996 through June 30, 2006

Defined Contribution Plan

- Employees first enrolled in PERS on or after July 1, 2006



Public Employees' Retirement Plan

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PERS Plans

Voluntary Savings

- Optional savings plan
- PERS Tier I, II & III
- Post-tax contributions
- Minimum \$5 / Maximum 5% of gross pay per pay period
- Earns 4.5% interest compounded semi-annually



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Planning for Retirement




Determine your needs


- What do I want to do?
- When do I want to do it?
- How much money will I have?
 - Determine tax consequences
 - Explore techniques to turn investments into income
- Review wills, beneficiary designations, insurance policies and other legal documents



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- **PERS Tier I & II** - Five years of paid-up membership service in the pension and medical plans
- **PERS Tier III** - Five years of paid-up membership service in the pension plan and 10 years in the medical plan



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Age Eligibility

PERS Tier I

Early

- Age 50 (must be vested)

Normal

- Age 55 (must be vested)

PERS Tier II & III

Early

- Age 55 (must be vested)

Normal

- Age 60 (must be vested)



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Service Eligibility

All three tiers can retire at any age with:

- 20 years of paid-up peace officer/fire membership service or;
- 30 years of paid-up membership service for all other employees



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Vested members who have terminated PERS employment, and reached normal retirement age, will not receive larger monthly benefits by waiting until they are older to retire.



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Monetary Retirement Benefit

Average Monthly Salary (AMS)

- **Peace Officers & Firefighters**
 - 3 high consecutive salaries
- **All Others**
 - **Tiers I & II** - 3 high consecutive salaries
 - **Tier III** - 5 high consecutive salaries

Example – High 3 Salaries

Payroll Year	Salary	Months Service
2019	\$50,000	12
2020	\$55,000	12
2021	\$20,000	4
	\$125,000	28
\$125,000 / 28 = \$4,464.29		



Monetary Retirement Benefit

All Members – In the final year of employment, if in pay status the equivalent of 115 full-time days into the calendar year, salary can be used in calculation of benefit

State of Alaska Employees PERS Tier II & III – Geographical Differential can be used in benefit calculation if received for 50% or more of service



Monetary Retirement Benefit

Peace Officers & Firefighters

2% X AMS X all service up to 10 years

+

2.5% X AMS X all service over 10 years

= **Monthly Benefit**

Example

Multiplier		AMS		Service		
(2%)	X	\$4,700)	X	10 Years	=	\$940.00
(2.5%)	X	\$4,700)	X	15 Years	=	\$1,762.50
						\$2,702.50

Early Retirement & Survivor Benefits

Base benefit is reduced



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Monetary Retirement Benefit

All Others

2% X AMS X all service up to 10 years

+

2.25% X AMS X over 10 years thru 20 years

+

2.50% X AMS X all service over 20 years

= **Monthly Benefit**

Example

Multiplier		AMS		Service		
(2%)	X	\$4,464.29)	X	10 Years	=	\$892.86
(2.25%)	X	\$4,464.29)	X	10 Years	=	\$1,004.47
(2.50%)	X	\$4,464.29)	X	2.40275	=	<u>\$268.16</u>
						\$2,165.49

Early Retirement & Survivor Benefits

Base benefit is reduced



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Claiming Service

- Military service; Temporary Service; Workers' Compensation LWOP
- May increase retirement benefit
- Some types of claimed service can be used towards vesting and retirement eligibility, some cannot
- Indebtedness established/Interest compounded annually
- Pay prior to retirement; or
- Actuarial reduction for lifetime of benefit if monetarily beneficial



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Retirement Decision Points

Retirement



- Regular
- Early
- Indebtedness
- Survivor Benefit
 - Joint Survivor - 50% or 75%
 - Last Survivor - 66 2/3 % (Tiers I & II)
- Level Income Option (Tiers I & II)

Retiree Insurance



- Medical
- Dental/Vision/Audio
- Long Term Care
- Select Life Insurance



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Retirement Decision Points - Retirement

✓ Regular

- *No survivor benefit/Spouse must waive right*
- No reduction to benefit, except for early retirement or if there is a beneficial indebtedness
- All benefits, including medical, cease at death of member
- Beneficiary would receive balance of member contributions, if any, or last check if not issued



Retirement Decision Points - Retirement

✓ Early

- Any retirement option could be early
- Reduces benefit by ½% for each month less than normal retirement age
- Up to 5 years before age eligible for normal retirement
- *If no survivor benefit/Spouse must waive right*
 - All benefits, including medical, cease at death of member
 - Beneficiary would receive balance of member contributions, if any, or last check if not issued



Retirement Decision Points - Retirement



Indebtedness

- Claimed service
- If paid prior to retirement, service is used in calculation of benefit
- If not paid prior to retirement, whichever gives the member the highest benefit is what will be used:
 - Using the claimed service with an actuarial reduction for life of benefit
 - Not using the claimed service



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Retirement Decision Points - Retirement



Joint Survivor

- 50% & 75% options available
- Reduces regular retirement benefit by actuarial factor
- Health insurance eligibility continues, in the event retiree passes away
- If spouse passes away, no reduction to retiree benefit

Spouse is Entitled to a Survivor Benefit



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Retirement Decision Points - Retirement



Last Survivor

- 66 2/3% option
- PERS Tiers I & II
- Reduces regular retirement benefit by actuarial factor
- Health insurance eligibility continues, in the event retiree passes away
- When retiree **or spouse** passes away, the benefit decreases

Spouse is Entitled to a Survivor Benefit



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Survivor options: Example

Benefit Type	Retiree	Survivor
• Normal Benefit	\$3,307.87	\$0.00
• 75% J&S	\$2,933.19	\$2,199.89
• 50% J&S	\$3,048.27	\$1,524.14
• 66-2/3% LS	\$3,081.28	\$2,054.29

Member is age 60 and survivor is age 57

If retiring early, benefit is reduced



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Retirement Decision Points - Retirement



Level Income Option

- PERS Tiers I & II
- Increased benefit prior to age 65
- Benefit decreases at age 65
- All benefits, including medical, cease at death of member
- Beneficiary would receive balance of member contributions, if any, or last check if not issued



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Retirement Decision Points - Insurance

Retiree Medical

PERS Tier I

- System-paid medical coverage at the time of retirement



PERS Tier II

- System-paid medical coverage at age 60 or with 25 years of Peace Officer/Firefighter or 30 years All Other service

PERS Tier III

- Same eligibility as PERS Tier II, but must have at least 10 years of service for the retiree medical benefit

PERS Tiers II & III – Retirees and survivors under age 60 without service eligibility may purchase coverage until age eligible for system paid



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Retirement Decision Points - Insurance

Retiree Medical

Covers member and eligible dependents:

- **Spouse**
- **Dependent children**
 - Unmarried, dependent upon member for support, and under age 19 or; under age 23 and registered at and attending on a full-time basis an accredited educational/technical institution recognized by Department of Education and Early Development; age limits may not apply to a child who is disabled, if the disability was diagnosed prior to age 23

- **Annual deductible** - \$150 per person / maximum 3 per family
- **Pays 80%** of covered medical expenses up to \$800, then 100% of all covered claims for rest of benefit year
- **Prescription Drug Coverage**
 - Generic \$4
 - Brand-name \$8
 - Mail Order \$0
- **Lifetime maximum benefit** = \$8,000,000 per person
- **Secondary to Medicare** at Medicare age eligibility



Retirement Decision Points - Insurance

Dental/Vision/Audio

PERS Tier I

- Opportunity to elect at retirement only

PERS Tier II & III

- Opportunity to elect at retirement **only**, if eligible for the system paid medical insurance or purchasing the medical insurance at retirement
- May elect at retirement or annual open enrollment
 - If electing during open enrollment, may only do so if medical coverage of the same or higher level is elected for the first time



Retirement Decision Points - Insurance

Dental (Two plans – Standard and Legacy)

- 100% - Preventative services
- 80% - Restorative/Basic services
- 50% Prosthetic/Major services
- \$50 Annual deductible for restorative and prosthetic services
- Maximum \$2,000 benefit per year per person



Retirement Decision Points - Insurance

Vision

- No deductible
- 80% of covered services



Audio

- No deductible
- 80% of covered services
- Maximum benefit \$2,000 per person in a 3-year period



Retirement Decision Points - Insurance

Long Term Care



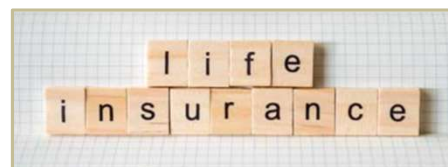
- One-time opportunity to elect at retirement
- Three plans available - Silver, Gold and Platinum
- Can elect plan for self or self and spouse
- Premium based on age at retirement; separate premium for each person covered
- Can decrease plan coverage but not increase



Retirement Decision Points - Insurance

Life Insurance

- Select Life Insurance
 - Can be continued into retirement as Optional Life
 - Must be paying premium at time of termination
- Basic Life Insurance
- Voluntary Supplemental Life Insurance



Retirement Process



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| <ol style="list-style-type: none"> 1. Complete a Retirement Application 2. Consider consultation with a Retirement & Benefits Counselor 3. Submit application 60 days prior to retirement effective date 4. Appointment letter is mailed after your retirement has been processed | <ul style="list-style-type: none"> ➤ Available from Retirement & Benefits ➤ In-person and telephonic appointments available in Juneau and Anchorage ➤ A letter confirming receipt of application is mailed to you ➤ You have 15 days from the date of the letter to request corrections |
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Retirement – Additional Benefits

Cost of Living Allowance (COLA)

- The greater of 10% of base retirement benefit, or \$50
- Must be domiciled and physically present in Alaska
- No absence longer than 90 consecutive days at a time
- Exception – medical absence
- Tier I – Eligible at retirement
- Tier II & III – Eligible at age 65
- Must apply for this benefit

Post Retirement Pension Adjustments (PRPA)

- Based on change in consumer price index from year to year in Anchorage
- Must be age 60 AND have received benefits in the preceding calendar year or received benefits for 5 years
- Tier I – Eligible for ad hoc and automatic, if both granted in one year, highest increase is applied
- Tier II & III – Eligible for automatic PRPA



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Bona Fide Separation

- Separation of employment is a requirement to be eligible to receive retirement benefits
- Bona fide separation means a total separation of the employer-employee relationship
- Pre-arrangement for re-employment does not meet the bona fide separation requirement and neither do the following:
 - Reduction of hours worked
 - Change in status e.g. full to part-time
 - Permanent to non-permanent
 - Fee for service

In addition to no pre-arrangement for re-employment with the same employer from which you are retiring, there is a mandatory break in service required by regulation:

Under age 62 – 6-months / 62 or older – 60 days



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Working After Retirement

If you meet the bona fide separation requirements and you want to work in PERS:

- Alaska Statute 39.35.150 prohibits members from working in PERS while receiving PERS retirement benefits at the same time
- Benefit is suspended until you separate from PERS employment
- Earn additional service / additional pension benefit
- First retirement automatically reinstated once separated from PERS employment
- Must apply for second benefit



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Working After Retirement

If you meet the bona fide separation requirements, and you want to work in a non-PERS position, the following types of employment are allowed:

- TRS covered position (requires a teaching certificate), assuming you are not also a TRS retiree
- Temporary or nonpermanent position for a PERS employer
- Private sector employment



Social Security Considerations

Windfall Elimination Provision

- If you work in a position that does not pay into Social Security, and have less than 30 years of qualifying Social Security earnings, you may be subject to the Windfall Elimination Provision which will reduce your social Security benefit
- Publication No. 05-10045

Governmental Pension Offset

- Can affect Social Security benefits you may be able to receive as a spouse or widow(er)
- Publication No. 05-10007

800-772-1213 / www.ssa.gov



Contact Us

Retirement & Benefits

Member Services Center

Phone Hours of Operation:

Monday through Thursday, 8:30 a.m. to 4 p.m. (Alaska Time)

Friday, 8:30 a.m. to 3 p.m. (Alaska Time)

(800) 821-2251 (toll-free) **(907) 465-4460** (in Juneau)

Website drb.alaska.gov



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Thank You

Please complete the seminar evaluation!



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