

**State of Alaska**  
**Division of Retirement & Benefits**

# **Teachers' Retirement System Defined Benefit Plan**

(TRS) Tier I & Tier II  
**Retirement Process**

Presented by Division of Retirement & Benefits



1

## **TRS Plans**

### **Defined Benefit Plan**

- **Tier I** – first enrolled in TRS prior to July 1, 1990
- **Tier II** – first enrolled in TRS on or after July 1, 1990 through June 30, 2006

### **Defined Contribution Plan**

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



2

# 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

3



- Eight paid-up years of membership service; or
- Five paid-up years of membership service and three paid-up years of Alaska BIA service; or
- 12 paid-up years of part-time or a combination of part-time and full-time TRS membership service

*If you entered TRS service prior to July 1, 1975, contact Retirement & Benefits for additional information*

4

## Age Eligibility

### TRS Tier I

#### *Early*

- Age 50

#### *Normal*

- Age 55 (must be vested)

### TRS Tier II

#### *Early*

- Age 55

#### *Normal*

- Age 60 (must be vested)



## Service Eligibility

### Can retire at any age with:

- **20** – paid-up years of membership service
- **20** – paid-up years of combined membership service and Alaska Bureau Indian Affairs service, if the last five are TRS
- **20** – paid-up years of combined full-time and part-time membership service
- **25** – paid-up years of credited service, if the last five are TRS service



## How TRS Service is Credited

0	to	8	days	= no credit
9	to	26	days	= .1
27	to	44	days	= .2
45	to	62	days	= .3
63	to	80	days	= .4
81	to	99	days	= .5
100	to	117	days	= .6
118	to	135	days	= .7
136	to	153	days	= .8
154	to	171	days	= .9
172	or	more	days	= 1.0

- Based on number of contract days worked during school year
- Part-time teachers
  - Must work at least 50% of the normal work week on a regular basis
  - Service is credited in proportion to full-time

AS 14.25.220 (47)



7

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

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8

8

# Monetary Retirement Benefit

## Average Base Salary (ABS)

- ABS determined by:
  - Adding high three contract salaries
  - Dividing total by three
- To include a base contract salary:
  - Must work and receive compensation during at least 2/3 of school year

## Benefit Calculation

2% X ABS X all service up to 20 years\*

+

2.5% X ABS X all service over 20 years \*\*

= Yearly Benefit

\*(and all years service prior to July 1, 1990)

\*\* (over 20 and served after June 30, 1990)

# Examples

## Regular Retirement

### Assumptions:

Normal Retirement Age

22 years of service

ABS = \$85,000

2%	X	\$85,000	X	20 years	=	\$34,000
2.50%	X	\$85,000	X	2 years	=	\$4,250
						\$38,250
		\$38,250	/	12 months	=	<b>\$3,187.50</b>

## Early Retirement

### Assumptions:

Age 55 years, 5 months / Tier II

19 years of service

ABS = \$85,000

2%	X	\$85,000	X	19 years	=	\$32,300
				Early Age Factor X		0.623501
						\$20,139
		\$20,139	/	12 months	=	<b>\$1,678.25</b>

## Claiming Service

- Military service; Outside Service; Bureau of Indian Affairs (or BIA) service; Workers Compensation leave without pay; and Leave of Absence Without Pay
- 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 it is monetarily beneficial

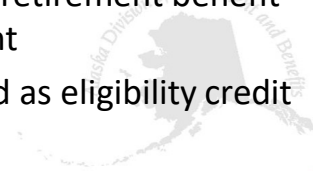


11

## Claiming Unused Sick Leave



- Claim at retirement
- Contributions not required
- Credited according to AS 14.25.220 (47)
- Added to your TRS service and increases your retirement benefit after retirement
- Cannot be used as eligibility credit



12

## Retirement Decision Points

### Retirement ✓

- Regular
- Early
- Indebtedness
- Survivor Benefit
  - 1% Supplemental
  - Joint Survivor (50% or 75%)
  - Last Survivor (66 2/3 %)

### Retiree Insurance ✓

- Medical
- Dental/Vision/Audio
- Long Term Care



13

## Retirement Decision Points - Retirement

### Regular ✓

***No survivor benefit/Spouse must waive right***

- No reduction to the benefit, unless there is indebtedness
- All benefits, including medical, cease at death
- Beneficiary would receive
  - Balance of contributions, if any
  - Last check, if it hasn't been issued

### Early ✓

***If no survivor benefit/Spouse must waive right***

- Actuarial reduction to benefit for life of benefit



14

## Retirement Decision Points - Retirement

### 1% Supplemental



- Must have been enrolled in TRS prior to July 1, 1982
- Must have paid supplemental contributions for a minimum of 5 years prior to retirement, unless:
- If first enrolled prior to July 1, 1977 – must have made supplemental contributions for a minimum of 1 years prior to retirement

### Benefit for Survivor(s)

- Survivors Allowance (if member has dependent children) = 35% of last contract salary
  - Plus 10% for each dependent child up to 4 children
  - Converts to a Spouse's Pension when last dependent child is ineligible
- Spouse's Pension = 50% of retirement benefit

15

## Retirement Decision Points - Retirement

### Joint & Survivor Benefit



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

### Last Survivor Benefit



- 66 2/3% option
- Reduces regular retirement benefit by actuarial factor
- Health insurances eligibility continues, in the event the member passes away
- When spouse or member passes away, the benefit decreases

***Spouse is Entitled to a Survivor Benefit***

16



## Survivor options: Example

Benefit Type	Retiree	Survivor
Normal Benefit	\$1,184.65	\$0.00
75% J&S	\$1,082.43	\$811.82
50% J&S	\$1,114.48	\$557.24
66-2/3% LS	\$1,132.00	\$754.67

Member is age 55 years, 5 months and survivor is age 54  
If retiring early, benefit is reduced



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17

17

## Retirement Decision Points - Insurance

### Retiree Medical

#### TRS Tier I

- System-paid medical coverage at the time of retirement



#### TRS Tier II

- System-paid medical coverage at age 60 or with 25 years of TRS membership service
- If retiring without system paid medical, member can choose to purchase the medical coverage until age 60



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18

18

## Retirement Decision Points - Insurance

### Retiree Medical

Covers member and eligible dependents:

- Spouse
- Dependent children
  - Unmarried
  - Dependent upon member for support
  - Under age 19 or; under age 23 and registered at and attending on full-time basis accredited educational/technical institution recognized by Department of Education and Early Development
  - Age limits do not apply to a child who is totally and permanently disabled
- **Annual deductible** - \$150 per person / maximum 3 per family
- **Pays 80%** of medical expenses up to \$4,000, 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** = \$2,000,000 per person
- **Secondary to Medicare** at age 65

## Retirement Decision Points - Insurance

### Dental/Vision/Audio

#### TRS Tier I

- Opportunity to elect at Retirement only

#### TRS Tier II

- Opportunity to elect at Retirement only, if eligible for the system paid medical insurance or purchasing medical insurance
- May also elect during annual open enrollment, if medical coverage of the same or higher level is elected for the first time

## Retirement Decision Points - Insurance

### Dental

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



## 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 3-year period

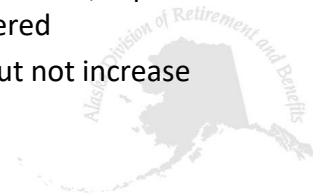


## Retirement Decision Points - Insurance

### Long Term Care



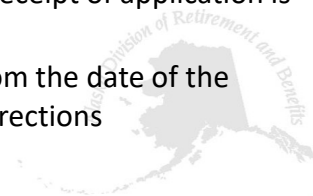
- One time opportunity to elect at retirement
- Three plans available - Silver, Gold and Platinum
- Can elect plan for self or self and spouse
- Premium based on age at retirement; separate premium for each person covered
- Can decrease plan coverage but not increase



## Retirement Process



1. Complete Retirement Application
  - Available from Retirement & Benefits
2. Consider consultation with Retirement & Benefits Counselor
  - In-person and telephonic appointments available in Juneau and Anchorage
3. Submit application 60 days prior to retirement effective date
  - A letter confirming receipt of application is mailed to you
4. Appointment letter is mailed after retirement has been processed
  - You have 15 days from the date of the letter to request corrections



## Retirement – Additional Benefits

### Cost of Living Allowance (COLA)

- 10% of base retirement benefit
- Must be domiciled and physically present in Alaska
- Tier I – Eligible at retirement
- Tier II – Eligible at age 65

### Post Retirement Pension Adjustments (PRPA)

- Based on change in consumer price index from year to year in Anchorage
- Must be age 60 or receiving benefits for 8 years
- Tier I – Eligible for ad hoc and automatic, if both granted in one year, highest increase is applied
- Tier II – Eligible for automatic PRPA

## 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-month / 62 or older – 60-day**

## Working After Retirement

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

- Alaska Statute 14.25.043 prohibits members from working while receiving TRS retirement benefits at the same time
- Benefit is suspended
- Earn additional service / additional pension benefit
- First retirement automatically reinstated
- Must apply for second benefit



## Working After Retirement

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

- PERS covered position (assuming you are not also a PERS retiree)
- Temporary or nonpermanent position for a TRS employer
- Less than 50% contract
- 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
- 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](http://www.ssa.gov)**



## Contact Us

### Retirement & Benefits

### Member Services Contact 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](http://drb.alaska.gov)



# Thank You

Please complete the seminar evaluation  
located in each of your folders!

