


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



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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

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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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- 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

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Age Eligibility

<p>TRS Tier I</p> <p><i>Early</i></p> <ul style="list-style-type: none"> • Age 50 <p><i>Normal</i></p> <ul style="list-style-type: none"> • Age 55 (must be vested) 	<p>TRS Tier II</p> <p><i>Early</i></p> <ul style="list-style-type: none"> • Age 55 <p><i>Normal</i></p> <ul style="list-style-type: none"> • Age 60 (must be vested)
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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


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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)




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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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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


$$2\% \times \text{ABS} \times \text{all service up to 20 years}^*$$

$$+$$

$$2.5\% \times \text{ABS} \times \text{all service over 20 years}^{**}$$

= Yearly Benefit

* (and all years service prior to July 1, 1990)
 ** (over 20 and served after June 30, 1990)



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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	=	\$3,187.50

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	=	\$1,678.25

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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

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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

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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



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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



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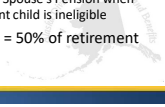
Retirement Decision Points - Retirement

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



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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

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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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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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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



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Retirement Decision Points - Insurance

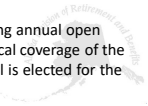
Dental/Vision/Audio

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




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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




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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




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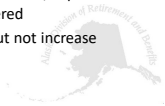
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Retirement Decision Points - Insurance

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




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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



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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

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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-month / 62 or older – 60-day

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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




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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



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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



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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




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Thank You

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



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