

Designated Roth 457 Bill Passes Legislature

The Alaska Legislature has passed House Bill 135 to provide public employees with a new Designated Roth 457 deferred compensation option. The introduction of HB 135 was in response to state employees who asked for the addition of this option. Active State of Alaska employees in the Alaska Public Employees' Retirement System (PERS) or Alaska Teachers' Retirement System (TRS) participating in the Deferred Compensation Plan will be able to elect this new deferred compensation option beginning July 1, 2015.

What is a Roth 457 option?

The Roth 457 option for governmental deferred compensation plans was authorized by Congress effective January 1, 2011. A Roth 457 is not a Roth IRA. Neither is a Roth 457 a separate plan; it is simply a way for employees to control the taxation of their deferred wages when they are disbursed in the future. This option allows employees to elect after tax salary deferrals into a Roth option. Roth elective deferrals are accounted for separately from the pre-tax contributions made to the plan. Distributions from the Roth 457 are tax free if the contributions have been in the Roth elective deferral account for at least 5 years and the participant is at least 59 ½.

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Report from the Field Meet Becky Sheridan

Becky has been a Retirement Counselor with the Division of Retirement and Benefits in our Anchorage office since August 2014. Becky has lived in Alaska since she was seven years old, but like many young Alaskans, she left the state for college and returned after graduating with a degree in Theater/Speech. She worked a variety of jobs before coming to the Division, but she says that what led her to employment with the Division of Retirement and Benefits was her 4-1/2 year stint working as a Retirement Plan Counselor for Great-West Retirement Services (now known as Empower Retirement), keeping records for the State's Defined Contribution plans. At Great-West, she explains, "I discovered that I really like helping people prepare



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Why are we adding a Roth 457 option?

The Division was contacted by employees participating in the Alaska Deferred Compensation Plan (DCP) requesting a Roth 457 option. For some employees, it might make sense to pay taxes on the DCP contributions now, rather than when money is withdrawn at retirement. Employees who could benefit are:


- Employees who expect either their pay or tax rate to increase substantially over time. Being taxed at a lower rate today may be a better option.
- Employees who expect to have relatively higher plan account investment earnings or to otherwise end up with a higher amount of money set aside for retirement, may benefit from paying taxes up front or just having a pool of tax-free money to draw on in the future.
- Younger employees who have a longer retirement horizon and more time to accumulate tax-free earnings under a Roth 457.

- Older employees who may want to leave tax-free money to their heirs in the future.
- Employees may want the option of not taking required withdrawals at age 70 ½ by rolling their Roth 457 to a Roth IRA.

The addition of a Roth 457 option gives employees more flexibility to save for retirement and provides control over when contributions, and retirement income, will be subject to federal income tax.

Why do we need legislation?

Before HB 135 was passed, Alaska Statutes 39.45.050 allowed only for tax deferred contributions into the plan. The statute needed to be amended to allow acceptance of post-tax Roth contributions in the Deferred Compensation Plan.

You can find more information about the Roth 457 option on our web site at doa.alaska.gov/drb/headlines/roth457billFAQs.html. 

Claiming Service Credit

The cornerstone of the TRS Defined Benefit Plan retirement benefit is a pension calculated using a formula that includes your entry date, years of service, and average monthly salary. Service can include direct TRS membership service and other forms of service credit that can be claimed by members.


You may purchase certain types of service credit in order to increase the number of service years used in the calculation of your retirement benefit. The cost differs depending on the type of service you are eligible to claim.

The following types of service credit can be purchased in the TRS:

- Leave of absence without pay/inactive credit;
- Alaska Bureau of Indian Affairs credit;
- Outside service (teaching service outside the Alaska TRS) credit; and
- Military service credit.

When you apply to the Division to claim service, an indebtedness will be established for the contributions that would have been paid during that period of time, as well as interest that has accrued.

After your indebtedness is established, you may make payments over time or in a lump sum, either pretax or post-tax. Interest, at the prescribed rate, will be added each month to your indebtedness until it is paid in full or you start receiving benefits, whichever occurs first. Reinstated service cannot count towards vesting or retirement eligibility unless your reinstatement indebtedness is paid in full.

For more information on specific service purchases, please refer to the individual brochures, which can be found on our website at doa.alaska.gov/drb/forms. 

**Have questions about
your retirement
and benefits?**

Visit Alaska.gov/drb.

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Report from the Field: Meet Becky Sheridan

for retirement...I often worked with the DRB, so when a position opened up, I jumped at the chance to work for the DRB instead.”

Becky's background in theater has proved valuable in her position. She explains, “You would be surprised at how useful theatrical training can be for a variety of careers.” A few of the skills gained from theatrical training that she finds useful in retirement counseling are the ability to think on your feet, be comfortable speaking in front of large crowds, and to use humor to make a sometimes dry topic interesting. Becky says that for counselors, it is important to enjoy working with people, but also be able to work independently and with careful attention to detail. “All of these and more are skills that come with a background in theater,” she says.

Becky puts her theatrical training to use in a variety of the tasks required of a Retirement Counselor, but she asserts, “My favorite part of the job is when I get to give a seminar on retirement and teach people about how and when they can qualify to retire. I also like meeting one-on-one with members and helping them see what their retirement benefit will be and why. Each person is so different—many are excited to retire, some are a bit anxious, some reluctant, and some are intimidated by the whole process. I like helping make the process a little easier and less frightening by explaining each choice as clearly as possible.”

Through her experience in helping people prepare for retirement, Becky has come up with a few pieces of advice she would like to share with members: “First, retirement is about more than money. Plan for what you'd like to accomplish in retirement and then enjoy yourself immensely



with whatever new purpose you've found to undertake after you've finished your work in PERS/TRS. Second, please remember that you likely need to save money other than in PERS/TRS! If your employer offers an optional plan, meet with the provider and see if they can help you run numbers on how much you should be saving. If they don't offer an optional plan, think about saving to a Roth IRA or traditional IRA to supplement your future retirement income.”

When not counseling members, Becky has no trouble filling her free time with some of the activities Anchorage has to offer, primarily involving theater and other forms of story. She explains, “Most of my free time is taken rehearsing and performing in local theater in Anchorage, but stories in any form are my passion, so I am an avid reader and also watch stories live at other people's shows or watch TV/movies.” You can also find Becky volunteering with children's ministries at her church, or getting outside in one of Anchorage's recreational areas to bike, hike, rollerblade, and play Ultimate Frisbee. 🐦

Great-West Financial Becomes Empower Retirement

On February 2, 2015, Great-West Financial changed their name to Empower Retirement. Three organizations were combined — Great-West Financial, Great-West Financial Retirement Plan Services (formerly J.P. Morgan Retirement Plan Services) and Putnam Investments — under one company and name.

The new name and look will not impact your service and account; there is no change to how your plan account is serviced and there is nothing you need to do as a result of the change. There will be no impact to your plan's fund

lineup as a result of the change to Empower Retirement, and your account will remain invested as you have directed. There have been no changes to the way you make transactions in your account. You can continue to conduct any transactions allowed under your plan's rules via your plan's web site or the Call Center.

For retirement plan questions, you will use the same phone number you used previously. Your account web site address remains the same, and you will continue to have access to your account 24 hours a day, 7 days a week. 🐦

Alaska Cost-of-Living Allowance (COLA)

A Refresher

The Alaska Cost-of-Living Allowance (COLA) was established in 1966 to assist retirees who elect to remain in state to defray the higher cost of living in Alaska. If you are eligible, you may receive the COLA in addition to your monthly benefit. The amount of COLA a TRS member receives is 10% of their base retirement benefit (no minimum amount).

Who is Eligible to Receive COLA?

If you reside in Alaska after you retire, you may receive COLA in addition to your regular monthly benefit. TRS Tier I retirees and their survivors are eligible upon retirement, regardless of age. All other TRS retirees and their survivors are eligible at age 65. All members receiving disability benefits are eligible, regardless of age or date of hire.

“**Residing in Alaska**” means domiciled and physically present in Alaska. A domicile is that place where you have your true, fixed, and permanent home and principal establishment and to which, whenever you are absent, you intend to return. An absence, which exceeds 90 days, constitutes a break in residency for COLA purposes.

If you become a resident out of state and later return to Alaska and become a resident again, you are eligible to receive COLA if you complete and submit the necessary forms. You will not lose COLA permanently; you can stop and start it.

If I leave Alaska on a trip, will I be entitled to COLA while I am away?

Yes, you are entitled to COLA during the time you are gone if you return to Alaska in less than 91 days. Please note that a period of 90 consecutive days does not start over with a new calendar year. You may be asked to provide copies of your travel documentation, which shows your departure and return dates.

You are NOT eligible for COLA and you are required to notify the Division in writing (use form 02-824a or your own written notice) if:

- You intend to be gone from Alaska continuously for more than 90 days;
- Your current absence exceeds 90 consecutive days (COLA entitlement ends retroactively to the end of the month of your departure from Alaska); or
- Your principal domicile is no longer in Alaska.

Am I entitled to COLA if I am gone from Alaska for more than 90 days due to illness?

You may continue to receive COLA for up to 6 months if:

1. You are out of Alaska because of illness, and
2. Your physician certifies your absence is necessary on a form (gen023) provided by the Division.

If your absence exceeds six months, COLA will stop on the first day of the seventh month following the date you left. If your illness began before leaving Alaska, you must make every effort to notify the Division before departing Alaska. Eligibility under this provision is a one-time exception to the requirements.

When does COLA stop and start?


COLA will stop on the first of the month following your departure from Alaska. If you receive COLA to which you are not entitled, you are required to repay it to the TRS. The Division will notify you of your options for repaying an overpayment. COLA will start again on the first of the month AFTER:

1. You return to Alaska; and
2. Your notification (form 02-1896a) is received by the Division.

If your notification is received or postmarked after the first of the month, COLA will not start again until the following month, regardless of your return date to Alaska. To avoid missing out on COLA benefits, you should submit your notification as soon as you return to Alaska. You may hand-deliver or mail your notification form to the Division. Mailed notifications must be postmarked in Alaska. Private meter postmarks will not be accepted. If a postmark date is illegible, your notification is presumed to have been mailed five working days before the date the notification is received.

TRS Alaska Statute 14.25.210—A person who knowingly makes a false statement, or falsifies or permits to be falsified a record of this system, in an attempt to defraud the system, is guilty of a Class A Misdemeanor and upon conviction is punishable by a fine of not more than \$500 or by imprisonment for not more than 12 months, or by both.

Still have questions?

Please contact the Division to speak with a representative. You can find more COLA information and all of the associated forms on our website: doa.alaska.gov/drb/forms/cola-forms.html. 

TRS Performance in Fiscal Year 2014

The Division of Retirement and Benefits (Division) prepares a Comprehensive Annual Financial Report (CAFR) which is available online at doa.alaska.gov/drb/trs/employee/resources/cafr.html. The Teachers' Retirement System (TRS) CAFR provides comprehensive financial, investment, actuarial and statistical data.

The Division also posts the results of the annual actuarial valuation online at doa.alaska.gov/drb/trs/employee/resources/actuarialValuationReports.html. This report contains the funding status of the TRS, as well as the data, assumptions, and methods used to develop contribution rate recommendations. As of June 30, 2013, the date of the latest actuarial valuation, the Defined Benefit Unfunded Accrued Liability was \$4,618,031,000.

A summary of the TRS Financial Statements as of June 30, 2014 is reported below.

Summary of Fiscal Year 2014

- There were 58 TRS employers.
- At June 30, 2014 there were 5,995 TRS Defined Benefit employees and 3,650 TRS Defined Contribution employees.
- \$37.1 million in interest was credited to TRS employees' accounts.
- TRS employers paid 12.56% of each employee's gross salary in addition to the contributions paid by the covered employees. The state paid an extra 41.06% to meet the actuarially determined contribution rate of 53.62%.
- Based on the June 30, 2013 actuarial valuation, there were 11,705 people who received monthly TRS pension benefits, an increase of 3.6% over the prior year. TRS retirees and beneficiaries received an average annual pension benefit of \$33,884.

Changes in TRS Assets During Fiscal Year 2014

	<u>Defined Benefit</u>	<u>Defined Contribution</u>
Fiduciary Net Position on June 30, 2013	\$5,145,551,000	\$199,421,000
Additions		
Employer Contributions.....	\$69,551,000	\$25,095,000
Plan Member Contributions	47,987,000	20,326,000
State of Alaska Contributions	316,846,000	-
Net Investment Income	956,369,000	40,893,000
Other	6,250,000	4,000
Total Additions	<u>\$1,397,003,000</u>	<u>\$86,318,000</u>
Deductions		
Pension Benefits Paid.....	\$396,614,000	\$ -
Healthcare Benefits Paid	116,781,000	-
Refunds to Members.....	2,387,000	5,352,000
Administrative Expenses.....	7,498,000	935,000
Total Deductions	<u>\$523,280,000</u>	<u>\$6,287,000</u>
Fiduciary Net Position on June 30, 2014	<u>\$6,019,274,000</u>	<u>\$279,452,000</u>

Statement of TRS Assets as of June 30, 2014

Assets		
Short-Term Investments	\$196,209,000	\$4,076,000
Great West Account.....		4,045,000
Other Receivables.....	5,500,000	2,753,000
Investments, at Fair Value.....	5,839,241,000	274,744,000
Other Assets	1,497,000	-
Total Assets	<u>\$6,042,447,000</u>	<u>\$285,618,000</u>
Liabilities		
Accrued Expenses and Other Liabilities.....	23,173,000	6,166,000
Total Liabilities	<u>\$23,173,000</u>	<u>\$6,166,000</u>
Fiduciary Net Position on June 30, 2014	<u>\$6,019,274,000</u>	<u>\$279,452,000</u>

Retirement Well Being

Planning for the Non-Financial Aspects of Retirement



Reaching retirement savings goals is not enough. You need a plan for how you will spend your time. This is frequently overlooked in the planning process. It is not uncommon for people to be nearing their retirement date without a clear plan of what they will do once retired. Understanding the stages of retirement can be helpful when planning for your future and for the choices you will need to make at retirement.

With good health, you can expect to be in retirement for the next 20-30 years. Keep in mind that there are three stages to retirement. The first stage is the initial go-go stage where retirees frequently travel and have experiences they have dreamed about for years. You are retiring from your current career, not from life. This stage lasts about 15 years while you are still active. What will you do with it?

The next stage is the slow-go stage. This usually begins in your mid to late 70's and people transition to a more passive retirement for the next 10 years. Quiet pleasures take precedence over more active choices.

The last stage is the no-go stage. Some retirees never reach this stage, remaining relatively active until the end. However, others may experience failing health, requiring medical treatment and nursing care in their last years.

Each stage has its challenges and requires pre-planning. Retirement counselors at the Division can help you to understand elections you make at retirement and how they will impact you in each stage of retirement.

For more information regarding the non-financial aspects of retirement, view our "Retirement Well Being" video at doa.alaska.gov/drb/retirement/look_listen.html. 🐦

Divorce and Your TRS Retirement

If you divorce or dissolve your marriage at any time after you were first hired in a position covered by the Teachers' Retirement System (TRS), your former spouse may be entitled to a portion of the TRS benefit under federal and Alaska laws.

Plans such as the TRS that are governed by the Internal Revenue Service rules must consider the rights of a former spouse before any pension funds, whether contribution refunds or monthly benefits can be released.

To release your funds, the Division needs court-certified copies of your decree, the findings of fact/property settlement, or dissolution agreement that clearly indicate there is no entitlement to a former spouse. A court-certified copy is the clerk's act of copying an original document on file with the court and swearing in writing that it is a full, true and correct copy of the original document which is

on file with the court. If a former spouse does have an entitlement, a qualified domestic relation order (QDRO) must be approved by the court and filed with the Division. A QDRO is a specialized court order that sets out the portion of your benefits that must be paid to your former spouse. The QDRO is the actual court document that authorizes the split of a retirement account between you and your former spouse.

If you are divorced or are going through a divorce or dissolution, make sure that the court documents clearly address your TRS retirement account in the settlement. If it is not clear, then you may have to go back to court to have the issue resolved before we can release any funds or commence monthly pension payments.

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Please contact the court in the city where your divorce or dissolution was granted to obtain the original court-certified copies of these documents.

Do not wait until just before you request a refund and/or retire to submit the documentation to the Division. Waiting will delay your request for a refund or the payment of your monthly pension benefit.

You are responsible for submitting the required forms to the Division. The court and attorneys do not automatically send these forms to the Division.

The Division has specialized staff who can help you if you have any questions about divorce or dissolution of marriage. We can assist you and your attorney to make sure that future problems are kept to a minimum. We publish a booklet to assist you and your attorney in the drafting of QDROs, which can be found on our web site at doa.alaska.gov/drb/pdf/forms/qdro-booklet.pdf. For more information, contact the Divorce/Dissolution Unit at (907) 465-4460 or qdro@admin.state.ak.us.

Post Retirement Pension Adjustment Will be Paid with July 2015 Check

The 2015 automatic Post Retirement Pension Adjustment (PRPA) will be paid with the July 2015 check.

The automatic PRPA is payable to a Teachers' Retirement System (TRS) retiree under age 60, if retired for eight years on or before July 1, 2015.

In addition to the above requirements, a retiree must have been receiving a benefit in the prior year (2014) to be eligible for the 2015 PRPA. Eligible recipients, who have not received pension benefits during the entire preceding calendar year, will receive a prorated PRPA.

If you meet these requirements or are age 60 to 64 on July 1, 2015, you will receive 50% (0.861%) of the Consumer Price Index (CPI) change during 2014.

Retirees age 65 or older and all disability benefit recipients receive 75% (1.292%) of the CPI. The PRPA for survivor benefit recipients is calculated on the member's eligibility.

The CPI for the 2015 PRPA is 1.723%.

If you do not meet any of the above criteria, you are not eligible.

Due to fund conditions, the Division did not recommend an ad hoc PRPA for 2015. The ad hoc PRPA is defined in statute as, "...based on the financial condition of the retirement funds."

- This example shows a retiree who is receiving a benefit from TRS.
 - Your statement will show more than one benefit if you worked for both retirement systems or if you are also receiving a survivor's benefit.
- 1) **Prior PRPAs:** The *combined* monthly amount of all PRPAs paid from the date you retired through June 30, 2015.
 - 2) **2015 Automatic PRPA:** This is effective July 1, 2015, based on the change in consumer price index (CPI).

Example of monthly statement:

Monthly Benefit Summary				
Base Benefits		Deductions		
	TRS ORIGINAL BASE	\$XX.XX	TRS FED INCOME WITHHOLD	\$XX.XX
1)	TRS PRIOR PRPAS	\$XX.XX	TRS DENTAL, VISION, AUDIO	\$XX.XX
2)	TRS 2015 AUTOMATIC PRPA	\$XX.XX	TRS OPTIONAL LIFE INSUR	\$XX.XX
			TRS LONG TERM CARE - RET	\$XX.XX

TRSnewsbreak

for TRS Tiers I and II members

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The Alaska Department of Administration complies with Title II of the 1990 Americans with Disabilities Act (ADA). The TRS Newsbreak is available in alternative communication formats upon request. DRB ADA Coordinator: (800) 821-2251; in Juneau: (907) 465-4460, or contact the TDD for the hearing impaired at (907) 465-2805.

Note: The Division of Retirement and Benefits is unable to unsubscribe members from our mailing list at this time. The Division has a fiduciary duty to provide both its active and retired members with information regarding their health and retirement benefits, including—but not limited to—benefit education, plan enrollment, and any changes in the plans. While we acknowledge that it can be frustrating to receive a high volume of communication from the Division, it is necessary to keep our members up to date on current information and educational opportunities concerning their health and retirement benefits. We apologize for any inconvenience this may cause you.

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We Want to Share Your Retirement Story

We want to share your retirement story with your fellow members. Are you volunteering, traveling, involved in the community or just enjoying life? Let us know where you are living now, what you are involved in, where you were employed, and how your State of Alaska retirement has allowed you to enjoy new adventures in retirement. Submit your stories on our website at doa.alaska.gov/drb/retirement/retireesInTouch.html, email your stories to doa.drb@alaska.gov or mail your stories and photos to the address on this newsletter, Attention: Newsbreak Editor.

Alaska Retirement Management Board Meeting

June 18 through 19, Anchorage

Alaska Retirement Management Board (ARMB) meetings are open to the public. You can find details about future meetings, minutes of past meetings, and meeting agendas at Alaska.gov/drb/boards. If you have questions, contact Judy Hall, ARMB liaison, at (907) 465-3749.



Stay up to date on upcoming seminars, events, and tips for your retirement.

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