

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



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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

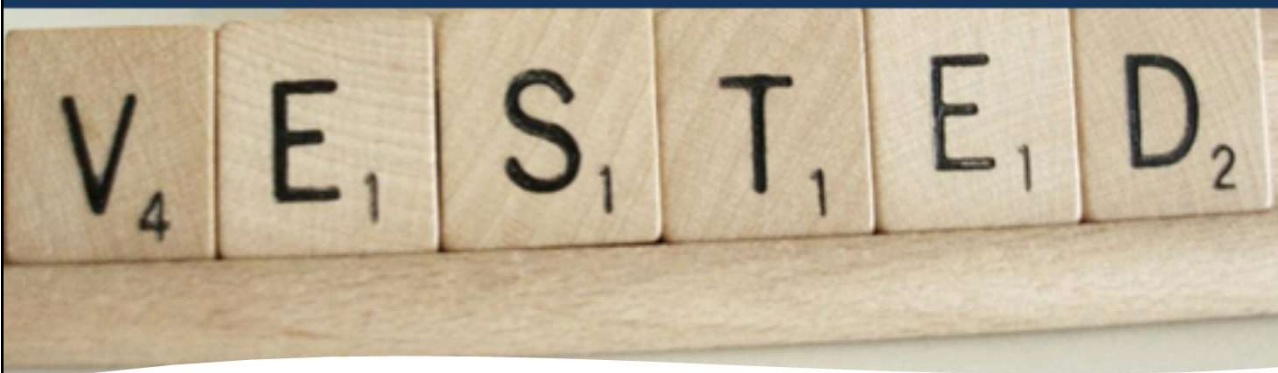


Determine your needs


- 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
- Divorce/dissolution 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/firefighter 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
2023	\$50,000	12
2024	\$55,000	12
2025	\$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	9 Years	=	\$1,057.50
						\$1,997.50

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 up to 20 years

+

2.5% 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 semi-annually
- Pay prior to retirement; or
- Actuarial reduction for lifetime of benefit **if** monetarily beneficial



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Reinstatement Indebtedness (REI)

- Refunded PERS DB service and return to PERS DB later
- Indebtedness established/interest compounded semi-annually
- Option suspended from July 1, 2010 until the January 2022 Supreme Court decision Metcalfe vs State of Alaska
- Pay prior to retirement; or
- Actuarial reduction for lifetime of benefit **if** monetarily beneficial
- REI service cannot be used towards vesting/eligibility **unless paid**



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Indebtedness

- Claimed/REI 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



- 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

✓ Joint Survivor

- 50% & 75% options available
- Reduces regular retirement benefit by actuarial factor
- Health insurance eligibility continues for the survivor, in the event retiree passes away
- Survivor can only be the spouse **at retirement**, or an incapacitated child
- If spouse passes away, no further reduction to retiree benefit

Spouse is Entitled to a Survivor Benefit



Retirement Decision Points - Retirement

✓ Last Survivor

- 66 2/3% option
- PERS Tier I & II
- Reduces regular retirement benefit by actuarial factor
- Health insurance eligibility continues for the survivor, in the event retiree passes away
- Survivor can only be the spouse **at retirement**, or an incapacitated child
- When retiree **or spouse** passes away, the benefit decreases

Spouse is Entitled to a Survivor Benefit



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



Retirement Decision Points - Retirement

✓ Level Income Option

- PERS Tier I & II
- Increased benefit prior to age 65
- Benefit decreases at age 65
- No survivor: 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 - 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 system paid medical

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



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Retirement Decision Points - Insurance

Retiree Medical

Covers member and eligible dependents:

- **Spouse**
- **Dependent children**
 - Unmarried
 - Under age 23
 - dependent upon member for support
 - Full-time student

(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 \$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** = \$8,000,000 per person



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Medicare

AlaskaCare is supplemental to Medicare at Medicare age eligibility

- Retired members and/or their spouses need to apply for Medicare A & B at age 65
- AlaskaCare retiree plan will be supplemental to Medicare A & B
- You do not need to enroll into an individual Medicare Part D plan; AlaskaCare will enroll you in Medicare Part D through our Employer Group Waiver Plan (EGWP)
- See www.alaskacare.gov/medicare for more details



Retirement Decision Points - Insurance

Retiree vs. Active Coverage

- **Deductible**
 - Retiree plan deductible must be met
- **Dental/Vision/Audio**
 - Separate coverage that requires a premium



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
- May elect at retirement or annual open enrollment, if **not** eligible for system paid medical at retirement
 - 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 benefit per person 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 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 (State of Alaska or participating political subdivision employees only)

- 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



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Retirement Process



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|--|---|
| 1. Complete a Retirement Application | ➤ Available from Retirement & Benefits |
| 2. Consider a consultation with a 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 your 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)

- 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



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***



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



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Social Security Considerations

Social Security may be part of your overall retirement income, if you have earned a social security benefit. Please contact Social Security for questions on any social security benefit you may have earned.

800-772-1213 / www.ssa.gov



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Contact Us

Retirement & Benefits

Member Education 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!

