

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
- Divorce/dissolution 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 (must be vested)

TRS Tier I

Early

- Age 50

Normal

- Age 55

TRS Tier II

Early

- Age 55

Normal

- Age 60



5

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 membership service
- **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 membership service



6

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.

Teachers' Retirement Plan

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

Yearly benefit/12= monthly benefit

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

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

Examples

Regular Retirement

Assumptions:

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
						\$20,139.08
		\$20,139.08	/	12 months	=	\$1,678.26

Claiming Service

- Military service; Outside Service; Bureau of Indian Affairs (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

Reinstatement Indebtedness (REI)

- Refunded TRS DB service and return to TRS DB later
- Indebtedness established/interest compounded 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**



12

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

13

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

14

Retirement Decision Points - Retirement

Regular ✓

No survivor benefit/Spouse must waive right

- No reduction to the 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



15

Retirement Decision Points - Retirement

Early ✓

- Any retirement option could be early
- Actuarial reduction to benefit for life of benefit
- 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



16

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 for the surviving spouse
 - If no surviving spouse, 10% of last contract salary for the guardian of the dependent children
 - 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 (if no dependent children) = 50% of retirement benefit

Teachers' Retirement Plan

17

17

Retirement Decision Points - Retirement

Joint & Survivor Benefit

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

Last Survivor Benefit

- 66 2/3% option
- Reduces regular retirement benefit by actuarial factor
- Health insurance eligibility continues for the survivor, in the event the 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

Teachers' Retirement Plan

18

18

Survivor options: Example

Benefit Type	Retiree	Survivor
Normal Benefit	\$4,229.69	\$0.00
75% J&S	\$3,837.26	\$2,877.94
50% J&S	\$3,959.71	\$1,979.86
66-2/3% LS	\$4,067.78	\$2,711.87

Member is age 59 years, 4 months and survivor is age 60
If retiring early, benefit is reduced



19

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



20

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



Medicare

AlaskaCare is supplemental to Medicare at Medicare age eligibility

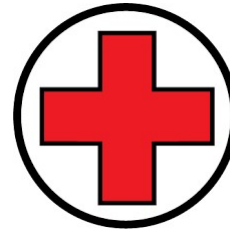
- Retired members and/or their spouses need to apply for Medicare A & B at age 65
- AlaskaCare retiree plan will be supplemental to Medicare A & B
- You do not need to enroll into an individual Medicare Part D plan; AlaskaCare will enroll you in Medicare Part D through our Employer Group Waiver Plan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



23

Retirement Decision Points - Insurance

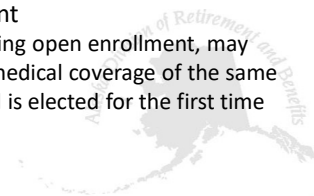
Dental/Vision/Audio

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
- 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



24

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 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

Teachers' Retirement Plan

27

27

Retirement Process



1. Complete a Retirement Application ➤ Available from Retirement & Benefits
2. Consider a 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 your retirement has been processed ➤ You have 15 days from the date of the letter to request corrections

Teachers' Retirement Plan

28

28

Retirement – Additional Benefits

Cost of Living Allowance (COLA)

- 10% of base retirement benefit
- 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 – 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 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-months / 62 or older – 60-days

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



31

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



32

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



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



Thank You

Please complete the seminar evaluation!

