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
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

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
• **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)
Service Eligibility

All three tiers can retire at any age with:

- 20 years of paid-up peace officer/fire membership service or;
- 30 years of paid-up membership service for all other employees

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.
**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**

<table>
<thead>
<tr>
<th>Payroll Year</th>
<th>Salary</th>
<th>Months Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$50,000</td>
<td>12</td>
</tr>
<tr>
<td>2018</td>
<td>$55,000</td>
<td>12</td>
</tr>
<tr>
<td>2019</td>
<td>$20,000</td>
<td>4</td>
</tr>
</tbody>
</table>

$125,000 / 28 = $4,464.29

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**Monetary Retirement Benefit**

**All Members** – In final year of employment, if in pay status 115 days into calendar year, salary and service 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**

\[
2\% \times \text{AMS} \times \text{all service up to 10 years} \\
+ \\
2.5\% \times \text{AMS} \times \text{all service over 10 years} \\
= \text{Monthly Benefit}
\]

**Example**

<table>
<thead>
<tr>
<th>Multiplier</th>
<th>AMS</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2%)</td>
<td>$4,700</td>
<td>10 Years</td>
</tr>
<tr>
<td>(2.5%)</td>
<td>$4,700</td>
<td>15 Years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Early Retirement & Survivor Benefits** – Base benefit reduced by actuarial factors

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**Monetary Retirement Benefit**

**All Others**

\[
2\% \times \text{AMS} \times \text{all service up to 10 years} \\
+ \\
2.25\% \times \text{AMS} \times \text{next ten years} \\
+ \\
2.50\% \times \text{AMS} \times \text{all service over 20 years} \\
= \text{Monthly Benefit}
\]

**Example**

<table>
<thead>
<tr>
<th>Multiplier</th>
<th>AMS</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2%)</td>
<td>$4,464.29</td>
<td>10 Years</td>
</tr>
<tr>
<td>(2.25%)</td>
<td>$4,464.29</td>
<td>10 Years</td>
</tr>
<tr>
<td>(2.50%)</td>
<td>$4,464.29</td>
<td>2.40275</td>
</tr>
</tbody>
</table>

**Early Retirement & Survivor Benefits** – Base benefit reduced by actuarial factors
**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 annually
- Pay prior to retirement; or
- Actuarial reduction for lifetime of benefit

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**Retirement Decision Points**

**Retirement**

- Regular
- Early
- Indebtedness
- Survivor Benefit
  - Level Income Option (Tiers I &II)
  - Joint Survivor - 50% or 75%
  - Last Survivor - 66 2/3 %

**Retiree Insurance**

- Medical
- Dental/Vision/Audio
- Long Term Care
- Select Life Insurance
**Regular ✓**

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

**Early ✓**

- Actuarial reduction to benefit for life of benefit; no additional reduction to the benefit, unless there is indebtedness
- All benefits cease at death
- Beneficiary would receive
  - Balance of contributions, if any
  - Last check, if it hasn’t been issued

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**Indebtedness ✓**

- Claimed service
- Not paid prior to retirement
- Benefit calculated two ways:
  - Using the claimed service, actuarial reduction for life of benefit
  - Not using the claimed service

**Level Income Option ✓**

- PERS Tiers I & II
- Increased benefit prior to age 65
- Benefit decreases at age 65
- All benefits cease at death
- Beneficiary would receive
  - Balance of contributions, if any
  - Last check, if it hasn’t been issued
Retirement Decision Points - Retirement

**Joint & Survivor Benefit**
- 50% & 75% options available
- Reduces regular retirement benefit by actuarial factor
- Health insurances eligibility continues, in the event retiree passes away
- If spouse passes away, no reduction to retiree benefit

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

*Spouse is Entitled to a Survivor Benefit*

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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 the retiree medical benefit

**PERS Tiers I & II** – If eligible, retirees and survivors under age 60 may purchase coverage until age eligible for system paid
Retirement Decision Points - Insurance

Retiree Medical
Covers member and eligible dependents:
- Spouse
- Dependent children
  - Unmarried, dependent upon member for support, and 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 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 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 Medicare age eligibility

Retiree vs. Active Coverage
- Deductible
  - Retiree plan deductible must be met
- Preventive Services
  - Some colon cancer screenings, x-rays, lab tests and immunizations may not be covered under the retiree plan in the absence of specific symptoms
  - Review plan document for specifics
- Dental/Vision/Audio
  - Separate for purchase coverage
Retirement Decision Points - Insurance

Dental/Vision/Audio

PERS Tier I
- Must make decision to elect or not at retirement

PERS Tier II & III
- Must make decision to elect or not at retirement, if eligible for the system paid medical insurance
- May elect at retirement or annual open enrollment, if medical coverage of the same or higher level is elected for the first time

Dental
- 100% - Preventative services
- 80% - Restorative/Basic services
- 50% Prosthetic/Major services
- $50 Annual deductible for restorative and prosthetic services
- Maximum $2,000 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 in 3-year period

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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
Retirement Decision Points - Insurance

Life Insurance

- 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

Retirement Process

1. Complete Retirement Application
2. Consider consultation with Retirement & Benefits Counselor
3. Submit application 6 – 8 weeks prior to retirement effective date
4. Appointment letter is mailed when first retirement benefit is issued

- Available from Retirement & Benefits
- In-person and telephonic appointments available in Juneau and Anchorage
- A letter confirming receipt of application is mailed to you
- You have 15 days from the date of the letter to request corrections
## 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 days
- Exception – medical absence
- Tier I – Available at retirement
- Tier II & III – 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 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

In addition to no pre-arrangement for re-employment with the same employer from which retired, there is a mandatory break in service required by regulation:

**Under age 62 – 6-month / 62 or older – 60-day**
If you meet the bona fide separation and waiting period requirements and you want to work in PERS:

- Alaska Statute 39.35.150 prohibits members from working while receiving PERS retirement benefits and service at the same time
- Benefit is suspended
- Earn additional service / additional pension benefit
- First retirement automatically reinstated
- Must apply for second benefit

If required and you meet the bona fide separation and waiting period 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)
- Temporary or nonpermanent position for a PERS employer
- Private sector employment
Social Security Considerations

Windfall Elimination Provision
- Can affect people who have earned a pension from the TRS and did not pay social security during their TRS employment
- 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

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 http://doa.alaska.gov/drb
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