Teachers’ Retirement System
Defined Benefit Plan

(TRS) Tier I & Tier II
Retirement Process

Presented by Division of Retirement & Benefits

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
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

Determine your needs

- 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*
**Age Eligibility**

**TRS Tier I**
- *Early*  
  - Age 50
- *Normal*  
  - Age 55 (must be vested)

**TRS Tier II**
- *Early*  
  - Age 55
- *Normal*  
  - Age 60 (must be vested)

**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
How TRS Service is Credited

<table>
<thead>
<tr>
<th>Days</th>
<th>Credit</th>
</tr>
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<tbody>
<tr>
<td>0 to 8</td>
<td>no credit</td>
</tr>
<tr>
<td>9 to 26</td>
<td>.1</td>
</tr>
<tr>
<td>27 to 44</td>
<td>.2</td>
</tr>
<tr>
<td>45 to 62</td>
<td>.3</td>
</tr>
<tr>
<td>63 to 80</td>
<td>.4</td>
</tr>
<tr>
<td>81 to 99</td>
<td>.5</td>
</tr>
<tr>
<td>100 to 117</td>
<td>.6</td>
</tr>
<tr>
<td>118 to 135</td>
<td>.7</td>
</tr>
<tr>
<td>136 to 153</td>
<td>.8</td>
</tr>
<tr>
<td>154 to 171</td>
<td>.9</td>
</tr>
<tr>
<td>172 or more</td>
<td>1.0</td>
</tr>
</tbody>
</table>

- **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)

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.
### Monetary Retirement Benefit

#### Average Base Salary (ABS)
- ABS determined by:
  - Adding high three base 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 **
- \[=\] Monthly Benefit

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

### Examples

**Regular Retirement**

Assumptions:
- Normal Retirement Age
- 22 years of service
- ABS = $85,000

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Result</th>
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</thead>
<tbody>
<tr>
<td>2% X $85,000 X 20 years</td>
<td>$34,000</td>
</tr>
<tr>
<td>2.50% X $85,000 X 2 years</td>
<td>$4,250</td>
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<tr>
<td>$38,250 / 12 months</td>
<td>$3,187.50</td>
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</tbody>
</table>

**Early Retirement**

Assumptions:
- Age 55 years, 5 months / Tier II
- 19 years of service
- ABS = $85,000

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% X $85,000 X 19 years</td>
<td>$32,300</td>
</tr>
<tr>
<td>$20,139 / 12 months</td>
<td>$1,678.25</td>
</tr>
</tbody>
</table>
Claiming Service

- Military service, Outside Service; Bureau of Indian Affairs (or BIA) service; Earlier Service; 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

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
**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**
- If no survivor benefit/Spouse must waive right
- 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**
- If no survivor benefit/Spouse must waive right
- 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
**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
- 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 = 35% of last contract salary
  - Plus 10% for each dependent child up to 4 children
  - Converts to a Spouse’s Pension when last dependent is ineligible
- Spouse’s Pension = 50% of retirement benefit

**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*
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 service
- If retired or a survivor prior to age 60, member/survivor can purchase by paying premium until age eligible for system-paid coverage

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

- 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
Retirement Decision Points - Insurance

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

Dental/Vision/Audio

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

TRS Tier II
- 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
**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 benefit per year

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**Vision**
- No deductible
- 80% of covered services

**Audio**
- No deductible
- 80% of covered services
- Maximum benefit $2,000 in 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 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)
- 10% of base retirement benefit
- Must be domiciled and physically present in Alaska
- Tier I – Available 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

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
Working After Retirement

If you meet the bona fide separation and waiting period requirements and you want to work in TRS:

- Alaska Statute 14.25.043 prohibits members from working while receiving TRS 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

Working After Retirement

If required and you meet the bona fide separation and waiting period requirements, and you want to work in a non-TRS position, the following types of employment are allowed:

- PERS covered position
- Temporary or nonpermanent position for a TRS employer
- Less than 50% contract
- 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
Thank You

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