

State of Alaska
Division of Retirement & Benefits

Defined Contribution
Retirement Plan – Defined
Benefits

For Employers

Presented by Division of Retirement & Benefits



Seminar Agenda

- The Defined Contribution Retirement Plan
 - Plan Features and Defined Benefits
 - A Case Study
 - How/what can we do?



PERS / TRS

Defined Contribution Retirement Plan

Hybrid Plans Offering:

- Defined Contribution Investment Account 401(a)
- Occupational Death & Disability Benefits
- Health Reimbursement Arrangement (HRA) Account
- Medical
- Dental / Vision / Audio (DVA)
- Long Term Care (LTC)



Defined Contribution Investment Account 401(a)

- Funded by Employee & Employer Contributions
 - PER-ER=5%+EE=8% = 13%
 - TRS-ER=7%+EE=8% = 15%
- Vesting with five years of service
- Available Investment Management Options
- Portable



Occupational Disability

In the event of an approved occupational disability, the employer pays:

- Employer and Employee contributions to DCRP account
- HRA contributions
- Retiree medical account contributions



Occupational Disability

If a totally, and presumably permanent disability from an accident, injury or illness caused by the job occurs, the participant will:

- receive 40% of salary at the time of termination due to the disability
- convert to a normal retirement at eligibility for normal retirement



Occupational Death

If a participant dies from occupational causes before retirement, their spouse or eligible dependents may be entitled to survivor benefits paid monthly until the participant would have reached normal retirement eligibility:

- 50% of gross monthly compensation for peace officers or fire fighters; or
- 40% of gross monthly compensation for all others
- Converts to a normal retirement when participant would have reached normal retirement eligibility



Occupational Death

In the event of an occupational death, the employer continues to pay the participant and employer contributions into a separate account for the survivor, the HRA account, and the retiree medical account ***until the participant would have reached normal retirement eligibility.***



Health Reimbursement Arrangement (HRA)

PERS/TRS employers make all contributions to the HRA

- Flat dollar amount based 3% of the annual average salary across all PERS and TRS employers
- Can be used to pay for medical expenses for member and eligible dependents
- Can be reinstated if participant leaves employment before reaching eligibility and become re-employed



HRA Eligibility

Access to Health Reimbursement Arrangement:

- 10 years of service and Medicare age eligible, or
- Any age with 25 years of service for peace officers/firefighters or;
- 30 years of service for all others
- No requirement to retire directly from the plan



Retiree Medical Plan

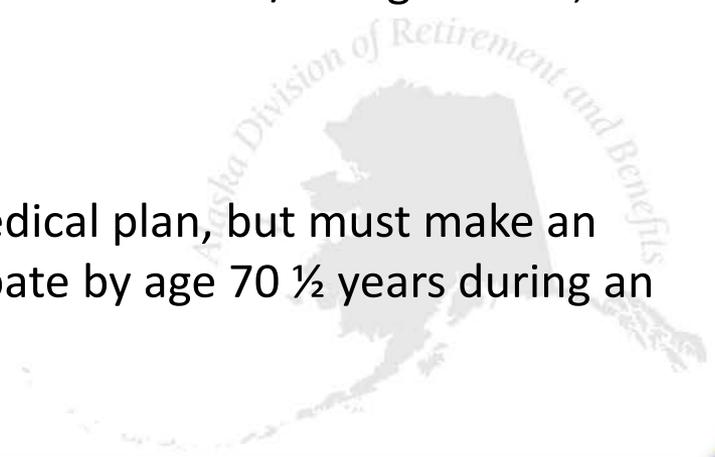
- Medical benefits are available to participants and eligible dependents
- Optional plan – member's choice to participate
- Primary plan for members who are paying the full premium (25 or 30 years of service)
- Secondary plan for members who are Medicare age eligible



Retiree Medical Plan Eligibility

Access to Medical coverage:

- Must be an active member for at least 12 months prior to application for retirement, and:
- 10 years of service and Medicare age eligible, or;
- Any age with 25 years of service for peace officers/firefighters or;
- 30 years of service for all others
- Member not required to enroll in medical plan, but must make an election to participate or not participate by age 70 ½ years during an annual open enrollment period



Retiree Medical Plan Premiums

Participants who are eligible for Medicare may pay a percentage of the monthly premium based on years of service as follows:

- **10%** with 30 or more years of service
- **15%** with 25 to 29 years of service
- **20%** with 20 to 24 years of service
- **25%** with 15 to 19 years of service
- **30%** with 10 to 14 years of service



Retiree Medical Plan Summary

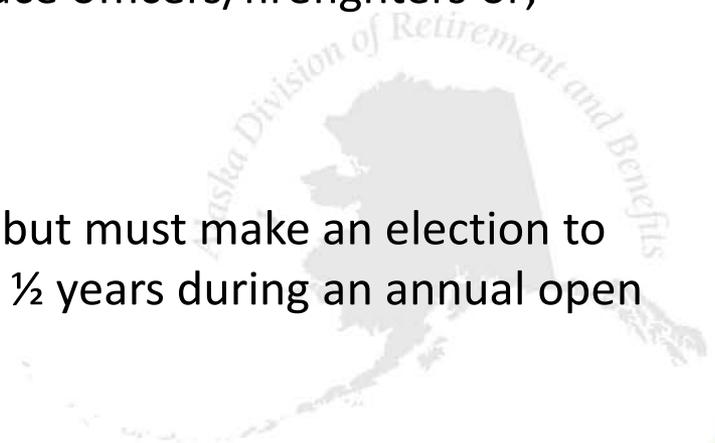
- **Annual deductible** - \$300 per person / \$600 deductible per family
 - **Annual out-of-pocket limit** –
 - \$1,500 in covered claims for each person,
 - \$3,000 in covered claims per family
 - **Pays 80%** of medical expenses up to the annual out-of-pocket limit, then 100% of all covered claims for rest of benefit year
 - **Prescription Drug Coverage** – Pays % of cost with a minimum payment for:
 - Generic
 - Preferred brand-name
 - Non-preferred brand-name



DVA Plan Eligibility

Access to DVA coverage:

- Must be an active member for at least 12 months prior to application for retirement, and:
- 10 years of service and Medicare age eligible, or;
- Any age with 25 years of service for peace officers/firefighters or;
- 30 years of service for all others
- Member not required to enroll in DVA, but must make an election to participate or not participate by age 70 ½ years during an annual open enrollment period



DVA Plan Summary

Dental

- 100% - preventative services
- 80% - restorative services
- 50% prosthetic services
- \$50 annual deductible for restorative and prosthetic services
- Maximum \$2,000 benefit per year



DVA Plan Summary

Vision

- No deductible
- 80% of covered services



Audio

- No deductible
- 80% of covered services
- Maximum benefit \$2,000 in 3-year period

Premiums: www.alaskacare.gov



Long Term Care (LTC)

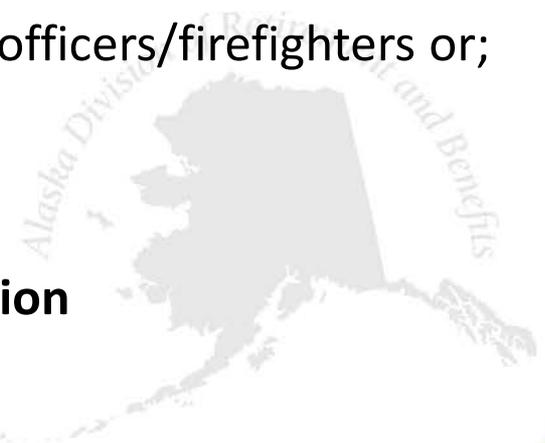
- Long Term Care benefits are available to participants and spouses
- Optional plan – member's choice to participate



LTC Plan Eligibility

Access to LTC coverage:

- Must be an active member for at least 12 months prior to application for retirement, and:
- 10 years of service and Medicare age eligible, or
- Any age with 25 years of service for peace officers/firefighters or;
- 30 years of service for all others
- **One time opportunity to elect at termination**



LTC Plan Summary

- Three plans to choose from: Silver, Gold, Platinum
- Premium based on plan and age at retirement; separate premium for each person covered
- Covers assisted living, home health care, nursing care, hospice and respite care

Premiums: www.alaskacare.gov



PERS / TRS

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Defined Contribution Retirement Plan

The DCRP is a complex plan with benefits that require Employers and representatives from both the Division Retirement Benefits (DRB) and Empower Retirement to work together. It is necessary for this process to continue throughout the career of the employee. DCRP employees need to be engaged in their complete financial picture to meet financial goals.



PERS / TRS

Defined Contribution Retirement Plan

A case study done in the summer of 2018 was an eye opening experience. The employer had no formal onboarding or ongoing training plan. We realized that we needed a new approach that got employers involved as soon as possible. Some of the symptoms from the lack of education were: difficulties recruiting and retaining employees, increasing costs to retrain new employees and employees leaving for the wrong reasons. The proposed solution involves DRB, Empower Retirement and the Employers to work together.

PERS / TRS

Defined Contribution Retirement Plan

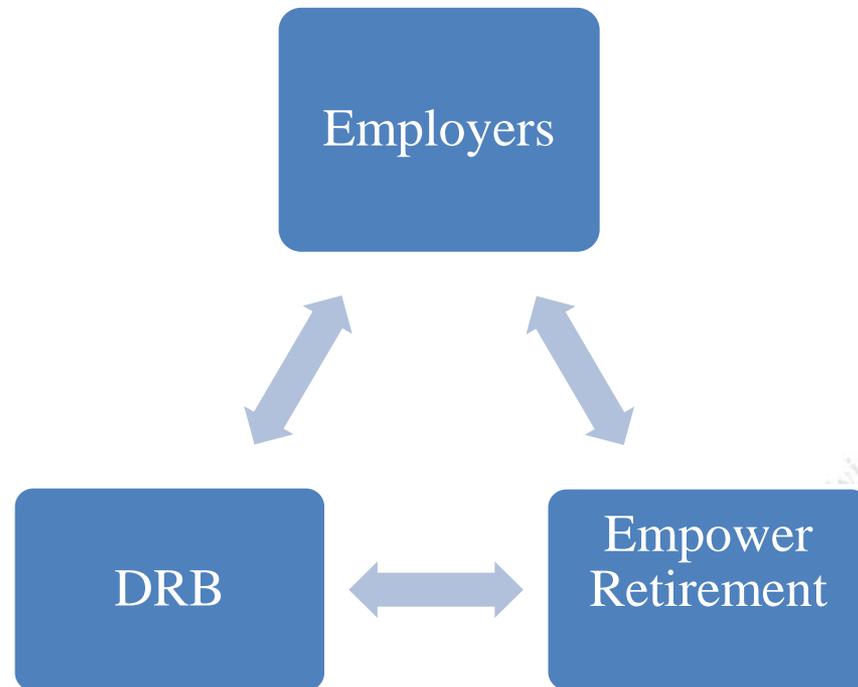
A Case Study-Proposed Training Plan

- Employee's Path to Financial Readiness:
 - Know available resources
 - Mandatory - Attend New Employee Orientation (online or with DRB)
 - Attend "Into to the DCRP" seminar
 - Mandatory - Meet with DRB and Empower Representatives
 - Continue to meet with Empower Representatives throughout career
 - Update financial plan when life events happen



PERS / TRS

Defined Contribution Retirement Plan



Better Together!

Thank you for Attending

