

VI – The Defined Contribution Member (Tier IV)

Enrollment

Members who first entered the PERS:

- On or after July 1, 2006, are in Tier IV
- Non-vested members who elected to convert to the Defined Contribution plan are in Tier IV

Tier status is established when a member first begins making contributions to the PERS. Your new member may have participated in the system prior to their employment with you. Before reporting new members to the system, be sure to confirm the correct tier status for them. This can be done by using the New Employee Tier Look-Up on the Division's Employer Access Web site or by contacting your Regional Counselor.

Those Not Covered Under the PERS DCR Plan

- Temporary (nonpermanent);
- Those who work less than 15 hours per week;
- Those who participate in the University of Alaska's Optional Retirement Plan (ORP);
- Those who first entered PERS before July 1, 2006 and did not convert to the DCR Plan; or
- Those excluded from the employer's participation agreement.

Hiring a PERS DCR Retired Member

There are IRC codes that prohibit a retired member from making "in service" contributions to their retirement account while they are receiving a distribution from that account. Employers should encourage the DCR retired member to seek the advice of a qualified tax consultant for guidance on the IRC codes. Failure to inform the retired member of this could result in significant financial repercussions for the retired member.

PERS retired members who come back to PERS-eligible employment retain the amount of service that they had accrued prior to retirement. Upon reemployment in the PERS, the service counts toward vesting in the employer contributions, medical eligibility, the Health Reimbursement Arrangement (HRA) and for retirement eligibility.

Classification

The following members are covered under the PERS and earn membership service in the PERS:

- Permanent full-time or part-time and seasonal members of the State of Alaska; and
- Permanent full-time or part-time and seasonal members of participating political subdivisions or public organizations, unless specific member group or type, or job classifications are excluded by Alaska Statutes or participation agreements.

A full-time member is one who is occupying a permanent position that regularly requires working 30 or more hours a week. A part-time member is one who is occupying a permanent position that regularly requires working at least 15 hours but less than 30 hours a week.

Elected Officials

Elected officials who are compensated at a minimum of \$2,001 a month for their services may be covered by the PERS DCR Plan if the employer includes elected officials in their participation agreement.

An elected official can waive their participation in the PERS by filing a written waiver of coverage, PERS Elected Official Participation/Waiver form (dcr006) within 30 days of the date that the elected official's

term of office begins. A waiver is irrevocable for the remainder of the elected official's service as an elected official or other member of the employer.

PERS Elected Official Waiver Form

alaska.gov/drb/pdf/forms/dcr006.pdf

Occupation Code

The occupation codes identify various member types in the PERS. The employer will be reporting the correct code for members with each payroll processing. The most common ones used are listed below.

- PERS A All Others
- PERS C Masters, Mates and Pilots (State of Alaska only)
- PERS E Elected Officials
- PERS F Fire Fighter
- PERS M IBU (Inland Boatmen Union) (State of Alaska only)
- PERS P Peace Officer

The following definitions will help in determining the correct occupational code for your members.

“P” Peace Officer

A member occupying a position as a peace officer, chief of police, regional public safety officer, probation officer, correctional officer or correctional superintendent. It does not include a village public safety officer.

“F” Fire Fighter

A member occupying a position as a fire fighter or a fire chief. It does not include volunteer fire fighters.

No Claimed Additional Service

With the exception of a call to active military duty, DCR members may not claim other types of service for credit in the PERS.

Calls to Active Military Duty While Employed in the PERS

Per the 1994 Uniformed Services Employment and Reemployment Rights Act (USERRA) military personnel who are currently working for a PERS employer and called out to a period of active duty may be entitled to claim the period as regular service credit upon their return to the employer. In most cases, the cumulative period(s) of call to active duty cannot exceed five years.

The member is to be granted reasonable time off prior to the beginning of the active duty period to take care of personal affairs and to travel to the reporting site. In addition, the member is to be granted a period of rest before returning to work. The period of time the member has to report back to work varies depending upon the length of the active duty period, not to exceed 90 days after discharge from active duty.

This time frame may be extended due to medical circumstances. If the member suffers a disability upon their return to employment, the employer is required to make reasonable accommodations to return the member to active employment.

If you have a member who is called to active duty:

- Contact Regional Counselor
- Inform member of right to claim service upon return to employment
- Report the leave of absence through payroll reporting
- Inform member of the process to claim service upon return to employment

Calls to active duty must be claimed for credit in the PERS by the member once they return to employment. The member is required to write a memo requesting to claim the period of active duty for service credit in the PERS. The memo plus documentation verifying the release from active duty with an honorable discharge, typically a DD214, is sent to Retirement and Benefits for processing.

Once claimed, the entire period of the military leave of absence (prior days and up to 90 days after discharge) is credited as regular service in the PERS. The service counts toward vesting in the employer contributions, medical eligibility, the Health Reimbursement Arrangement (HRA) and for retirement eligibility.

DCR members may elect to make up all or part of their contributions for the period of military leave of absence once they have returned to the employer. The employer will make their contributions to the members account proportionate to what the member makes up. If the member does not elect to make up their contributions, they will not receive the employer match to their accounts.

DCR members who participate in the State of Alaska's Supplemental Annuity Plan (SBS) and/or the State of Alaska's Deferred Compensation Plan (DCP) may elect to make up all or part of their contributions for the period of active duty once they have returned to the employer.

Members of other tax sheltered plans offered through their employers should contact their human resource or payroll staff for information on how to make up missed contributions in those plans.

The allowable time frame for making up the contributions is up to three times the length of the period of the military leave of absence, not to exceed five years. Missed contributions must be made through direct payroll deductions.

Employers and members are encouraged to contact their Regional Counselor for information on calls to active military service.

If you have questions about USERRA you may contact:

USERRA – Federal Register 20 CFR Part 1002

Juneau (907) 465-5881

DOL.gov/vets

ESGR – Employer Support of the Guard and Reserves is a Department of Defense agency established to gain and maintain active support from all public and private employers.

Toll-free (800) 336-4590

ESGR.mil

Service Accrual

A year of service is the equivalent of 52 weeks of permanent full-time employment, which may consist of a combination of permanent full-time or permanent part-time membership service.

A PERS permanent full-time member earns a day of service credit for each day they are actively employed in a PERS covered position. This includes holidays or regularly scheduled days off (RDO), as long as they are in pay status the day before and the day after the holiday or RDO.

A PERS permanent part-time member receives proportionate credit for the number of hours they work compared to a full-time member. A total of 1,560 hours must be earned to receive a year of service credit. However, service accrued for a stated period of part-time service may not exceed the full-time equivalent.

A permanent full-time or part-time seasonal member earns service credit for the period of time they are actually working. Seasonal leave without pay periods do not earn PERS service credit.

Simultaneous PERS and TRS Credit

Members working in both the PERS DCR plan and the TRS DCR plan at the same time may receive partial service credit under both systems. To be eligible, they must be employed at least half-time in both systems concurrently and making the required contributions.

The total PERS DCR and TRS DCR service credit that a member may earn during a school year (July 1 through June 30 of the following year) may not exceed one year.

Vesting

The DCR member is immediately and fully vested in their own contributions and related earnings beginning with their first contribution. They become vested in the employer contributions based on years of service in the PERS.

- After 2 full years of service - 25% vested
- After 3 full years of service - 50% vested
- After 4 full years of service - 75% vested
- After 5 full years of service - 100% vested

Effects of LWOP and Reporting Process

For a full-time member, a leave of absence without pay (LWOP) that does not exceed 10 accumulated days in any calendar year is not considered an interruption or break in service. However, if the leave of absence exceeds 10 accumulated days, whether taken consecutively or through intermittent hours scattered throughout the calendar year, their service credit for that year will be reduced by the equivalent number of days they were on leave of absence without pay.

For example; a full-time member scheduled to work a 40-hour work week (8 hours a day) could accumulate up to 80 hours of LWOP each calendar year and still receive a full year of service credit. However, once the accumulated LWOP exceeds 80 hours in the calendar year, the entire period of LWOP will not be credited PERS service, including the 80 hours.

Continuous periods of LWOP for full-time members should be reported to the PERS with each payroll processing. Currently, scattered LWOP for full-time members is not reported to the PERS; however, this reporting option may become available in the future. The employer will be required to verify all hours of LWOP for full-time members when completing the *Verification of Service* form (02-1883).

Part-time members receive credit in the PERS based on the number of hours worked and the 10-day rule is not applicable.

Workers Compensation Procedures

If you have a member on a period of Workers Compensation (WKC) leave without pay (LWOP), the LWOP time should be reported through the payroll process.

The period of workers compensation leave without pay cannot be claimed for credit in the Defined Contribution Plan.

Occupational Disability

A member that is injured and becomes totally and presumably permanently disabled because of a physical or mental condition caused by an injury or hazard that happens while performing their job may be eligible to receive a monthly occupational disability benefit from the PERS.

The cost for providing occupational disability benefits to members is borne by the employer and is included in the employer contribution rates.

If the member has already met the requirements for a normal retirement based on age or years of service, they are not eligible to receive occupational disability benefit. Those on disability benefits revert to a regular retirement benefit once they meet the age or years of service requirements.

Receiving an occupational disability benefit is not automatic. There is an application process, medical certification requirements, and the disability must be approved by the administrator of the plan.

The member must file an application for the occupational disability benefit with the Division within 90 days after termination of their employment. Members can file the disability application while they are still working.

The monthly occupational disability benefit will be equal to 40% of their gross monthly compensation immediately before they terminated employment due to the disability. Members receiving occupational disability benefits continue to earn PERS service credit while they are receiving the occupational disability benefits. **No medical insurance is provided until the member is eligible for a normal retirement.**

The member is immediately vested in the employer contributions once they are appointed to occupational disability regardless of the total years of service. The employer continues to make all required contributions as if the member were still working, including the member's required contributions to an account established for the member in the Occupational Death and Disability Trust. Members cannot elect a refund of their member account balance or elect a distribution option of the account while they are receiving occupational disability benefits.

Disability benefits cease when the member becomes eligible for normal retirement with 10 years of service and Medicare eligible age, or at any age with 25 years of peace officer or firefighter service, or at any age with 30 years of service for all others.

When a member converts to normal retirement, they have access to their account balance and they elect when and how to take distribution on their DCR account. There are various distribution options available, which include lump-sum payments, annuities, and rollovers to other qualified pre-tax plans.

NOTE: When a peace officer or firefighter becomes eligible for a normal retirement, the member may choose between a continuing lifetime pension benefit based on high salaries and years of service, or access to their account balance.

Medical insurance is available to members who have reached normal retirement eligibility.

Occupational Death

If a member dies due to an occupational reason, the survivor will receive 40% of the member's salary at the time of death. Survivors include spouse or qualified same-sex partner, and dependent children.

The employer continues to make the employer and member contributions into the Occupational Death and Disability Trust for the survivor, and the Health Reimbursement Arrangement (HRA) account until the participant would have reached normal retirement eligibility. Survivors cannot elect a refund of the members account balance or elect a distribution option of the account while they are receiving occupational death benefits.

Occupational death benefits cease when the member would have become eligible for normal retirement with 10 years of service and Medicare eligible age, or at any age with 25 years of peace officer or firefighter service, or at any age with 30 years of service for all others.

When the member would have converted to normal retirement, the survivor has access to the members account balance and the contributions paid to the Occupational Death and Disability Trust account on their behalf. The survivor will elect when and how to take distribution on the DCR account. There are various distribution options available, which include lump-sum payments, annuities, and rollovers to other qualified pre-tax plans.

Non-Occupational Death

When a member dies from non-occupational causes before retiring, the spouse or qualified same-sex partner, or other eligible beneficiary, is entitled to the member's contributions, the vested portion of the employer contributions, plus investment earnings and they elect when and how to take distribution on the DCR account. There are various distribution options available, which include lump-sum payments, annuities, and rollovers to other qualified pre-tax plans.

Divorce or Dissolution

Retirement accounts are marital assets and if there is a divorce or dissolution during any period of a member's PERS employment, the member is required to submit court certified copies of the divorce or dissolution documents and the property settlement to the Division. These documents will be placed in their permanent record with the Division.

If the documents stipulate or contain an order by the judge entitling the former spouse to a portion of an account, a Qualified Domestic Relations Order (QDRO) must also be submitted.

If the documents indicate there was an agreement about the division of retirement benefits, but no separate agreement is included in the documents, the member must provide a court certified copy of the separate agreement or the magistrate or judge's notes from the court hearing.

If the documents are silent on the retirement plans, the account will be considered free from attachment.

Terminations

It is the employer's responsibility to report terminations of employment timely to the PERS. The termination action should be reported as soon as possible after the member's last day of work.

Distribution Elections

When a member terminates employment, they elect when and how to take distribution on their DCR account. There are various distribution options available which include lump-sum payments, annuities, and rollovers to other qualified pre-tax plans.

The refundable amount to a terminated member includes:

- Members mandatory contributions;
- Vested portion of employer contributions
- Investment gains and losses

Members must be terminated from employment for at least 60 days before distribution can occur. They must complete and submit the *Great-West Retirement Services Distribution/Direct Rollover 401(a) Plan form (Separation from Employment Withdrawal Request 98214-04 form)* to commence distribution.

PERS Defined Contribution Refund Election Form

DCprovider.com/PDF/alaska/98214-04/98214-04_Distribution.pdf

Terminated members who are married may not receive a refund of their member contribution account (if balance is greater than \$5,000) unless their spouse gives written consent. Terminated members who are divorced may not receive a refund of their member contribution account unless they can show that their former spouse was not granted an entitlement to the account.

If a qualified domestic relations order (QDRO) has been filed awarding the former spouse a monthly benefit, the court would have to amend the QDRO to allow for a refund of the members contribution account as a lump-sum pay out.

All accrued service in the PERS remains in the account and should the member return to work for a PERS employer in the future, the service will be reinstated.

Retirement

Normal retirement is the age set for Medicare eligibility at the time the member retires. A retired member in the DCR plan is a person who has elected to receive medical benefits.

Effects of PERS on Social Security Benefits

Not all PERS employers participate in Social Security. If you need information on whether you participate in Social Security, contact your Regional Counselor or the Division's Audit section.

Employees of employers who do not participate in Social Security may have their Social Security benefit reduced. Two laws affect Social Security benefit entitlement—The Windfall Elimination Provision and the Government Pension Offset. For information on these federal provisions, employees should be encouraged to contact Social Security toll-free at 800 772-1213, or visit the Social Security Administration Web site at SSA.gov.

Retired Member Medical Benefits

DCR members may have access to a retiree medical plan when they retire. In order to access the retired member's medical benefits plan the member must:

- Retire directly from the plan and;
- Have been active at least 12 months prior to separation, and;
- Have at least 30 years of service as a teacher or “all other” member; or
- Have at least 25 years as a peace officer or firefighter; or
- Have at least 10 years of service and be eligible for Medicare.

If the DCR retired member has not yet reached Medicare eligible age, they will pay the full premium for the medical benefits plan if they want the coverage. Once the retired member reaches Medicare age eligibility, they will pay a percentage of the monthly premium based on years of service, as follows:

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

The DCR retired member medical benefits plan is currently being developed. The plan will basically include payment of covered expenses at 80% from the plan with a 20% payment from the member. The plan is supplemental to Medicare. Once the plan has been finalized, the plan documents will be available to employers and members online at the Division Web site.

Health Reimbursement Arrangement

The employer is making contributions to the Health Reimbursement Arrangement (HRA). The contribution amount is based on the average salary of all PERS and TRS members in the DCR plans and it is calculated as a flat monthly dollar amount. This amount is deposited into a separate account for each member of the PERS while they are employed in the PERS.

The balance in the HRA account consists of the employer contributions and any interest that has accrued.

DCR retired members will have access to this account when they meet one of the following requirements:

- 30 years of service as a teacher or all-other employee; or
- 25 years of service as a peace officer or firefighter; or
- at least 10 years of service and are eligible for Medicare.

Members do not have to retire directly from the system to access their HRA.

The money in the HRA can be used to pay for medical expenses for the retired member and their eligible dependents, or it can be used to pay premiums for supplemental medical coverage plans.

If the member terminates employment prior to accruing at least 10 years of service, they will not have access to the HRA. Should they come back to employment with a PERS employer, the HRA is reinstated, with interest added for the period of time they were not contributing to the PERS.

Optional Health and Life Plans

DCR retired members may elect to pay a premium for additional health and life coverage as follows:

- Dental-Vision-Audio (DVA) coverage for self, spouse or same-sex partner, and eligible dependent children;
- Long-Term Care (LTC) coverage for self and spouse or same-sex partner; and
- Optional Life Insurance (if participating in the state-sponsored Optional Life Insurance Plan at retirement).

Retired members will pay the monthly premiums for as long as they want the coverage.

Members seeking more information regarding the optional health plans please contact our insurance benefit section or refer to *State of Alaska Retiree Insurance Information Booklet*.

AlaskaCare Retiree Health Booklet

AlaskaCare.gov/retiree/publications/booklets.html

For more information regarding the optional LTC plans, including enrollment restrictions, refer to the *State of Alaska Long-Term Care Booklet*.

State of Alaska Long-Term Care Booklet

AlaskaCare.gov/retiree/publications/booklets.html

Retiree Health Care Premiums

AlaskaCare.gov/retiree/information/premiums.html

Members seeking more information on the retired members medical coverage, DVA and LTC, and the requirements to continue the Optional Life Insurance should contact their Regional Counselor.

Medicare

Members should contact Medicare about three months before their 65th birthday to sign up for Medicare. They can sign up with Medicare even if they do not plan to retire at age 65. Members who are still working and covered by an employer-sponsored health insurance plan may be able to defer enrollment in Medicare. Employers should encourage their members to contact Medicare to ensure they comply with the current requirements.

There are several parts to Medicare and there are time limit requirements to enroll timely to avoid penalty at a later date.

For more information regarding Medicare benefits, employers and members should contact the local Medicare office, or call the toll-free number at (800) 772-1213, or visit the Medicare Web site at Medicare.gov.