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# Membership

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## Who is a Member of the PERS DB Plan?

Membership begins when you are employed by a PERS employer in a qualified position, are receiving PERS-eligible compensation, and are eligible to make PERS contributions. Individuals who first entered the PERS before July 1, 2006, are members of this plan. Members who first entered on or after July 1, 2006, are members of the Defined Contribution Plan.

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

- ◆ Permanent full-time or part-time employees of the State of Alaska; and
- ◆ Permanent full-time or part-time employees of participating political subdivisions or public organizations, unless specific employee or job classifications are excluded by Alaska Statutes or participation agreements.

A permanent full-time employee is one who is occupying a permanent position that regularly requires working 30 or more hours a week. A permanent part-time employee 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 the rate of at least \$2,001 per month for their services may be covered by the PERS DB Plan if the political subdivision has agreed to include elected officials. An elected official can waive their participation in the PERS by filing a written waiver of coverage, *PERS Elected Official Participation/Waiver* (form 02-1832). An elected official who has waived coverage can choose to have future service covered by revoking the waiver.

### **WARNING**

An elected official cannot receive credited service while the waiver is in effect.

### **Special Provision for Elected Public Officials**

Retired Teachers' Retirement System (TRS DB Plan) members may receive PERS DB retirement benefits for their elected public official service with municipalities and political subdivisions.

### **Employers Participating in the PERS DB Plan**

The list of PERS employers, including municipalities and political subdivisions, is found in the Appendix.

### **Employees Not Covered Under the PERS DB Plan**

These employees are not members of the PERS:

- ◆ Temporary (nonpermanent) employees. Employees may be able to claim their temporary service for additional credit when they become vested;
- ◆ Employees who work less than 15 hours per week;
- ◆ Employees who participate in the University of Alaska's Optional Retirement Plan (ORP);
- ◆ Individuals who first entered PERS on or after July 1, 2006;
- ◆ Former members who have not reinstated their PERS DB plan service before July 1, 2010; or
- ◆ Employees excluded from the employer's participation agreement.

### **Membership Tiers**

Members who first entered the PERS:

- ◆ Before July 1, 1986, are in Tier I;
- ◆ On or after July 1, 1986, but before July 1, 1996, are in Tier II;
- ◆ On or after July 1, 1996, are in Tier III;
- ◆ On or after July 1, 2006, are members of the PERS DCR Plans.

## Simultaneous PERS and TRS Credit

If you are a member of the PERS DB Plan and the TRS DB Plan at the same time, you may receive partial credit under both systems. To be eligible, you must be employed at least half-time in both the PERS DB and the TRS DB concurrently and you must make the required contributions.

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

## Contributions

Most PERS DB Plan employees contribute 6.75% of their gross PERS eligible salary to PERS. If you are a peace officer or fire fighter, then you contribute 7.5% of your gross salary. If you are a noncertificated school district employee, you work less than 12 months a year, and you've selected the alternate service option, you contribute 9.6%.

The contributions you make to the PERS DB Plan are deducted from your gross salary and sent to the PERS at the end of each pay period. You earn 4.5% interest a year, compounded semi-annually, on your employee contribution account. This interest is posted to your account on June 30 and on December 31 of each year.

PERS DB Plan employee mandatory contributions are pretax deductions from your salary.

Your employer contributes a percentage of your salary each pay period. This amount may change each year based on actuarial funding requirements. The employer contributions are not part of the employee contribution account.

### **NOTE**

When you retire from the PERS DB Plan, your pension benefit is not based on your contributions. Your pension is calculated by a formula using your average salary and years of service.

### **Voluntary Savings Plan**

The Voluntary Savings Plan, also known as the Employee's Savings Account, is an account funded solely by your post-tax, voluntary contributions. Contributions made to the Voluntary Saving Plan are separate and completely independent of the mandatory contributions that you are required to make to the PERS.

Any active PERS Tier I, II, or III employee making mandatory contributions to the PERS is eligible to enroll in the Voluntary Savings Plan.

Enrollment into the plan can occur at any time and will take effect the first of the month following receipt of your enrollment form. You are eligible to contribute a minimum of \$5.00 and up to a maximum of 5% of your eligible gross salary to the plan. Your voluntary contributions earn 4.5% interest annually. When you are eligible to withdraw the account after retirement or termination, you may take your withdrawal in the form of a lump sum payment, life annuity or in installments over a designated period of time.

Generally, there is a 60-day waiting period after retirement or termination from employment before payment from the savings plan can be made. Exceptions can be made for hardship.

For more information, please see the brochure "Voluntary Savings Plan" available from the division or from the division's Internet site at [www.state.ak.us/dr/publications](http://www.state.ak.us/dr/publications).

## Refunds

### **Voluntary PERS Refunds**

If you terminate employment, you may request a refund of your employee contribution account by completing the *Refund Election* form (GEN008).

Terminated members who are married may not receive a refund of their employee contribution account unless their spouse gives written consent or the requirement for spousal consent is waived by the PERS

DB Plan administrator. Terminated members who are divorced may not receive a refund of their employee 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 employee contribution account as a lump-sum pay out. See *Rights of Spouses and Dependents* for the special rules affecting refunds in these circumstances.

You may only refund your employee contribution account which includes:

- ◆ Your mandatory contributions;
- ◆ Any indebtedness principal and interest payments; and
- ◆ Interest earned.

PERS DB Plan members must be terminated from employment for at least 60 days before a refund will be issued.

A refund of contributions does not include the employer contributions that have been made or the investment income earned.

### **WARNING**

If you refund, you forfeit all your retirement benefits, including future pension and medical coverage. You will not be eligible for PERS DB Plan benefits unless you return to PERS or TRS employment and reinstate the refunded service before July 1, 2010.

### **Involuntary PERS Refunds**

PERS DB Plan employee contribution accounts are not subject to execution, garnishment, or other claims by creditors, except under certain circumstances and then only when a member has terminated

PERS employment. Contributions cannot be garnished while you are an active member. Employee contribution accounts for terminated members may be garnished to satisfy claims for:

- ◆ Child support;
- ◆ State, local, or federal taxes;
- ◆ Unpaid earnings of up to one month's compensation or the full-time equivalent for the personal services of an individual who is employed by a PERS member; or
- ◆ Other reasons established under AS 09.38.065.

If a portion of your account is garnished, the balance will be refunded to you. It is important to keep your mailing address current in order to receive refund checks.

If your account is garnished, you may reinstate your refunded service by paying back the total refund plus interest. You do not have to be reemployed in the PERS to reinstate service if your account is involuntarily refunded.

### **WARNING**

Unless the PERS receives a termination of garnishment, any payment you make to reinstate your service will be forwarded to the appropriate agency or person.

## Time Limit for Refund or Benefit

Inactive (terminated) PERS DB Plan members forfeit their contributions and rights to PERS benefits if they do not apply for a refund or a benefit by one of the following:

- ◆ Before July 1 following their 75th birthday; or
- ◆ Within 50 years of the last date that they were active members.

## Tax Considerations

If you made contributions to the PERS DB Plan prior to January 1, 1987, those contributions have already been taxed and will not be

subject to further taxes or early withdrawal penalties. Any indebtedness payments you may have made with after-tax dollars are also not subject to further taxes or penalties upon withdrawal from the PERS. Any taxed contributions are not eligible to be rolled over into an Individual Retirement Arrangement (IRA) or other tax qualified plans.

The federal government may impose a penalty when untaxed PERS contributions and interest are withdrawn in a lump sum before age 59-1/2.

The PERS is required to withhold 20% federal income tax on all untaxed, lump-sum PERS accounts directly refunded to the member. The 20% withholding does NOT apply to PERS refunds that are rolled DIRECTLY through a plan-to-plan transfer into an IRA, other qualified plan, or a fixed period certain annuity under qualified conditions.

Division employees do not give tax advice. You are encouraged to obtain advice from the Internal Revenue Service or a tax expert on how a refund of contributions would affect you. You may wish to contact the PERS for other important information that may affect your lump-sum distribution.

### Annual Statement

Every year you will receive an Annual Statement of Account for the prior year. The statement you receive in the fall of 2008 for example, is for the period July 1, 2007, through June 30, 2008.

Your PERS DB Plan statement provides you with information regarding your mandatory contributions, interest earned, indebtedness principal, and indebtedness interest paid. The Statement of Credited Service shows your employer, occupation, status, begin date, end date, total years of service (both credited and claimed), and your personal information. The years of service and account balance reflect what has been reported to the PERS by your employer. Contact your employer if you believe there is a discrepancy on your Annual Statement. Your statement also includes general estimates of benefits you

may be eligible for in the future. These estimates are designed to provide you with an idea of the value of your PERS DB Plan benefit and are not a promise of benefits to be paid.

### **WARNING**

It is the member's responsibility to check their annual statement for accuracy.

## Beneficiary Designation

### **Your Beneficiary Designation is IMPORTANT!**

Any benefits payable upon your death will be paid to your primary beneficiary or, if that person is deceased, benefits will be paid to your contingent beneficiary.

If you are married at the time of your death and you were married to the same person during part of your PERS employment, your spouse is automatically the primary designated beneficiary. If you wish to elect another person as your primary beneficiary, your spouse must provide written consent on the *Beneficiary Designation for Active and Deferred Members* (form 02-822) or *Retiree Beneficiary Designation* (form 02-822a). Consent is not required if you were married for less than two years and you and your spouse were not living together when the designation was changed.

If a member designates a spouse as a beneficiary and is subsequently divorced or a dissolution or legal annulment of the marriage is granted, the beneficiary designation is void and the former spouse is no longer the beneficiary. If after the divorce, dissolution, or annulment, the member wishes to name the former spouse as a beneficiary, a new beneficiary form must be completed and submitted.

If you have been divorced and a former spouse is entitled to benefits under the terms of a QDRO, that person would be eligible to receive whatever portion of the benefit the court has ordered. The QDRO must be filed with the court and accepted by the PERS as a qualified order before it becomes effective. In the event of a QDRO, benefits that would normally be paid to other beneficiaries would be affected.

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Please review *Divorce, Taxes, and Other Legal Issues* and *Death Benefits* before completing your beneficiary designation.

### WARNING

Payment of PERS death benefits is based on the last designation received by the PERS. An up-to-date beneficiary form must be on file with the PERS Administrator.

If no beneficiary is designated, or the beneficiary is deceased, the benefits will be paid:

- ◆ To the surviving spouse or, if there is none;
- ◆ In equal parts to the surviving children or, if there are none;
- ◆ In equal parts to the surviving parents or, if there are none;
- ◆ To the member's estate.

### Designating a Minor Child

If you are a single parent, there are nonoccupational and occupational death benefits that may be payable to your children if you die before retirement. **However, these benefits are only payable to your children if they are your designated beneficiaries.**

When a minor child is designated as the beneficiary, the death benefit will be paid to the child's parent or legal guardian (the PERS cannot pay benefits directly to a minor). If you do not want the child's benefit to be paid to that person, have your attorney set up a trust and designate the trust as the beneficiary. Be sure to include the name of the trustee on the beneficiary form.

### WARNING

You should NOT designate another person as beneficiary to receive your child's benefit.

### Changing Your Beneficiary Designation

You should review your beneficiary designation when you marry, divorce, your spouse dies, or your beneficiary's address changes. To change your designation, you must send the PERS a new *Beneficiary*

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form. Forms are available from the Division website at [www.state.ak.us/drb](http://www.state.ak.us/drb), from your human resources, personnel or payroll office, or from the Division.