



# The Retirement Process



**Retirement & Benefits  
Regional Counselor**



# Ready to Retire?

- Determine your needs.
- Learn what options are available.
- Determine the tax consequences of various options.
- Explore techniques to turn your investments into income.
- Review wills, beneficiary designations, long term care policies etc.



# Determine Your Financial Needs



- Shift from primarily saving and investing to ensuring that your money lasts.
- Most people live 20 years or more in retirement.
- Costs are rising.



# Sources of Retirement Income



Public Employees' Retirement System (PERS)

Social Security Administration (SSA)

Supplemental Annuity Plan (SBS-AP)

Deferred Compensation Plan (DCP)



# PERS--Four-Tiered System



- ◆ **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
- ◆ **Tier IV**-first enrolled in PERS on or after July 1, 2006 (DCR Plan)

# Reaching Retirement Eligibility



- ◆ Tier I Early--age 50  
Normal--age 55 (must be vested)
- ◆ Tiers II, III Early--age 55  
Normal--age 60 (must be vested)
- ◆ All tiers can retire at any age with
  - 20 years of paid peace officer/fire membership service, or
  - 30 years of paid membership service for all other employees

# Average Monthly Salary (AMS)

## ◆ Peace Officers and Firefighters

- Based on **3** highest consecutive salaries for **all** tiers

## ◆ All Others

- Tiers I and II
  - Based on **3** highest consecutive salaries
- Tier III
  - Based on **5** highest consecutive salaries



# Average Monthly Salary (AMS)

## Tiers I and II

Payroll Year	Salary	Months
2001	\$36,000	12
2002	\$33,000	11
2003	<u>\$18,000</u>	<u>6</u>
	<hr/> \$87,000	29

$$\$87,000 \div 29 = \$3,000 \text{ (AMS)}$$

Must work 115 days of credited service in last year to include as one of three/five highest consecutive years.

Tiers II and III: Geographical Differential must have been received for 50% or more of creditable service to be used in calculation of benefit.



# Benefit Formula

## ◆ Peace Officers and Firefighters

- 2% x first 10 years x AMS
- 2.5% for all years after 10 x AMS

## ◆ All Others

- 2% x first 10 years and all years prior to 1986 x AMS
- 2.25% for next 10 years x AMS
- 2.5% for all years after 20 years x AMS



# Benefit Formula Example – Peace Officer / Firefighter

Member B has \$3,000 AMS and 25 years of service.

- ◆  $(2\% \times \$3,000) \times 10 = \$600$
- ◆  $(2.5\% \times \$3,000) \times 15 = \$1,125$

Total base retirement benefit = \$1,725/mo.

If you are eligible for early retirement, or choose a joint and survivor option, this normal benefit amount is reduced.



# Benefit Formula Example – All Others

Member A has \$3,000 AMS and 21 years of service.

- ◆  $(2\% \times \$3,000) \times 10 = \$600$
- ◆  $(2.25\% \times \$3,000) \times 10 = \$675$
- ◆  $(2.5\% \times \$3,000) \times 1 = \$75$

Total base retirement benefit = \$1,350/mo.

If you are eligible for early retirement, or choose a joint and survivor option, this normal benefit amount is reduced.



# Pension Decisions

## ◆ Retirement Pension Options

- Regular Retirement
- Level Income Options (N/A Tier III)
- 50% or 75% Joint and Survivor
- 66 2/3% Last Survivor Option (N/A Tier III)

## ◆ Indebtedness payments



# Pension Decisions



## ◆ Regular Retirement

- All benefits cease at your death, including health insurance
- Beneficiary receives balance of contribution account, if any, and last pension check

## ◆ Level Income Option (N/A Tier III)

- Increased benefit amount prior to age 65 – benefit decreases at age 65
- All benefits cease at your death, including health insurance.
- Beneficiary receives balance of contribution account, if any, and last pension check.

# Survivor Options



- ◆ Election of a survivor option
  - Reduces regular retirement benefit
  - Reduction based on age of member and member's spouse or qualified same-sex partner at time of retirement
- ◆ Health insurance eligibility
  - continues for spouse or same-sex partner **ONLY** if a survivor option is chosen

# Survivor Options (cont'd)



- ◆ 75% or 50% Joint & Survivor
  - if survivor dies, no change to member's benefit.
- ◆ 66-2/3% Last Survivor
  - remaining survivor receives 66-2/3% benefit
  - If survivor dies, member's benefit reduces.

# Survivor Options – Example\*



<b>BENEFIT TYPE</b>	<b>RETIREE</b>	<b>SURVIVOR</b>
◆ Normal Benefit	\$1,350.00	\$0.00
◆ 75% J & S	\$1,185.00	\$888.75
◆ 50% J & S	\$1,235.00	\$617.50
◆ 66-2/3% Last Survivor	\$1,240.00	\$826.50

\*Member is age 60 and spouse is age 55

If retiring early, benefit is reduced.

**Please note:** Vested members who have terminated PERS employment and reach normal retirement age will not receive larger monthly benefits by waiting until they are older to retire.

# PERS Application for Retirement Benefits

## Survivor Options A & B

### II. PENSION BENEFIT ELECTION

I hereby apply for  Early  Normal retirement benefits to become effective the 1st day of \_\_\_\_\_ (month), \_\_\_\_\_ (year).

**A. No Survivor Options** (Choose one option from either A or B below.)

- Regular Retirement Benefit: I do not elect a Survivor Option.
- Level Income Option: I request my retirement benefits in an increased amount prior to age 65 and a reduced amount after age 65 for life. This option may not be selected if a survivor option has been selected. *This option is available only if first hired before July 1, 1996.* I understand that any additional income I may be entitled to receive at age 65, including social security benefits, has no bearing on the amount of the reduction to my benefit.

**IMPORTANT:** If you are married, the waiver below must be completed to select either of the options above. NOTE: ALL BENEFITS INCLUDING MEDICAL COVERAGE WILL CEASE UPON DEATH OF THE APPLICANT if a survivor option is not selected.

### Spouse's Waiver of Survivor Option (Complete only if married and NOT selecting a survivor option.)

I acknowledge and approve the benefit selected. I understand the terms of the selection and freely waive entitlement to continuing survivor benefits, including health coverage, which may otherwise be payable to me, upon the death of the named applicant.

SPOUSE'S SIGNATURE \_\_\_\_\_ PRINTED NAME: \_\_\_\_\_ DATE \_\_\_\_\_  
Spouse's signature witnessed by \_\_\_\_\_

DIVISION OF RETIREMENT AND BENEFITS REPRESENTATIVE, NOTARY PUBLIC OR POSTMASTER

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared before me \_\_\_\_\_ whose identity I proved on the basis of satisfactory evidence to be the signer of the participant signature above, and he/she acknowledged that he/she executed it.

Notary Public: \_\_\_\_\_  
State of: \_\_\_\_\_ and Borough/County of: \_\_\_\_\_  
Residing at: \_\_\_\_\_ Commission Expires: \_\_\_\_\_

SEAL OR  
POSTMASTER STAMP  
REQUIRED

**B. Survivor Options** (Choose One)

You must choose one of the following options to receive a survivor benefit:

- I elect:
- 75% Joint Survivor Option  50% Joint Survivor Option
  - 66-2/3% Last Survivor Option (*available if first hired before July 1, 1996*). In selecting the 66-2/3% Last Survivor Option, I understand if my spouse or qualified same-sex partner dies first, my benefit will be reduced to the 66-2/3% survivor benefit amount. If I die first, my spouse or qualified same-sex partner will receive the 66-2/3% survivor benefit for the rest of his/her life.



# Increasing Service Credit



- ◆ Claiming eligible service can potentially increase your benefit
  - Active military service
  - Temporary service with PERS employer
  - Worker's Compensation leave without pay

# Indebtedness Payment Options

- ◆ Pay indebtedness in full prior to retirement date
  - Pay with pre-tax transfer from qualified plan
  - Pay by pre-tax or post-tax payroll deductions
  - Pay with post-tax dollars
- ◆ Take lifetime actuarial reduction on retirement benefit



# Insurance Decisions

- ◆ Health Insurance Elections
  - Medical (Tiers II & III)
  - Dental, Vision, & Audio (DVA)
  - Long-Term Care
- ◆ Optional Life Insurance
- ◆ SBS Life Insurance



# Medical Benefits



- ◆ **Tier I:** Family medical coverage at retirement – system paid.
- ◆ **Tier II:** System paid family medical coverage at age 60 or 25 years of police/fire service or 30 years of all other service. If retires prior to age 60, pays full premium until age 60. Open enrollment each year.
- ◆ **Tier III:** Must have 10 years of service to receive Tier II medical benefits; otherwise pays full premium. Open enrollment each year.

# Medical Benefits (cont'd)

- ◆ Retiree medical plan covers member and eligible dependents
  - Eligible dependents are spouse, qualified same-sex partner, and dependent children.
  - Dependent child means
    - 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 do not apply to child who is totally and permanently disabled.



# Medical Benefit Summary



- ◆ \$150 deductible per person, maximum 3 per family
- ◆ Pays 80% of first \$4,000 in covered claims for each person, then 100% of all covered claims for rest of year
- ◆ Prescription drug coverage - \$8 Brand, \$4 Generic, \$0 mail-order
- ◆ Lifetime maximum benefit - \$2,000,000 per person
- ◆ **Secondary to Medicare** at age 65

# Insurance Elections – Medical

## VII. **Health Benefit Enrollment**

### **Medical Benefits** (must mark a box)

I elect the following **medical** coverage:

- No medical coverage**
- Retiree only
- Retiree and spouse or same-sex partner
- Retiree and child(ren)
- Retiree, spouse or same-sex partner, and child(ren)
- System-paid AlaskaCare medical (see pages 8-14 for eligibility requirements)



# Optional Plan Enrollment



- ◆ **Dental-Vision-Audio (DVA)**
  - **Tier I:** Must elect at retirement
  - **Tiers II, III:** May elect at open enrollment if medical coverage of same or higher level is also elected for first time
- ◆ **Long-Term Care (LTC)**
  - One enrollment at time of retirement only (all tiers)
- ◆ All tiers pay DVA and LTC premiums for as long as coverage is desired

# Dental Vision Audio Coverage



- ◆ **Dental:** 100% - preventative services  
80% - restorative services  
50% - prosthetic services  
\$50 annual deductible for restorative and prosthetic services  
Maximum \$2,000 per year
- ◆ **Vision:** No deductible, 80% of covered services
- ◆ **Audio:** No deductible, 80% of covered services  
Maximum benefit \$2000 in 3-year period.

# Insurance Elections – Dental/Vision/Audio

## Dental/Vision/Audio Benefits (must mark a box)

I elect the following **dental-vision-audio (DVA)** coverage:

- No dental-vision-audio (DVA) coverage
- Retiree only
- Retiree and spouse or same-sex partner
- Retiree and child(ren)
- Retiree, spouse or same-sex partner, and child(ren)



# Long Term Care (LTC)



- ◆ One time opportunity to elect at retirement
- ◆ Three plans available
  - Silver, Gold, and Platinum
- ◆ Can elect plan for self or self and spouse
- ◆ Premiums based on age at retirement; separate premium for each person covered
- ◆ Can decrease plan coverage but not increase

# Insurance Elections – Long Term Care



## **Long-Term Care Benefits** (must mark a box)

I elect the following **long-term care (LTC)** option:

### **Retiree coverage**

- No long-term care coverage
- Silver       Gold       Platinum
- I am covered under my spouse's LTC plan

Spouse's SSN \_\_\_\_\_

### **Spouse or same-sex partner coverage**

(may only elect if member is electing coverage)

- No long-term care coverage
- Silver       Gold       Platinum

Spouse's Date of Birth \_\_\_\_\_

# Appointment Letter Example

Dear Mr. Jones:

You are appointed to retirement effective May 1, 2009.

Your normal monthly benefit will be \$2,715.83, based on an average monthly salary of \$4,948.60 and 29.33150 years of credited service.

You will also receive \$271.58 in Alaska Cost-of-Living Allowance (COLA) as long as you reside in Alaska.

Your benefit includes a lifetime actuarial reduction of \$274.88 for reinstatement of refund.

Since you elected the 75% Survivor Option, your spouse will be entitled to a monthly benefit of \$2,036.87 should you die.

You will find a W4-P form enclosed which you should complete and return if you wish to make any changes to the level of federal tax withholding on your benefit. Your current withholding is married with 2 allowances.

For information about medical, dental-vision-audio (DVA), long-term care (LTC), and life insurance available to retirees, please read the insert, *Insurance Benefits*.

Since you enrolled in the optional DVA plan, DVA coverage for yourself and your spouse is effective on May 1, 2009, the effective date of your retirement. \$113.00 will be deducted from your monthly retirement check.

Since you enrolled in the optional silver LTC plan, LTC coverage for you and your spouse is effective on May 1, 2009, the effective date of your retirement. \$92.00 will be deducted from each monthly retirement check.

Your May 1, 2009 benefit warrant(s) will be delivered to your mailing address. Your warrants will be electronically deposited to your bank account effective with your June 2009 benefit.

Under the PERS statutes, you are not entitled to receive PERS benefits if you become reemployed in a PERS covered position. It is your responsibility to notify us if you become reemployed under the PERS.

If you have any questions, please contact me. Please include your retirement identification number on all correspondence.



# After Retirement Increases

## ◆ Alaska Cost-of-Living Allowance (COLA)

- 10% of base retirement benefit, minimum \$50 per month
- Must be domiciled and physically present in Alaska
- Tier I eligible at retirement
- Tiers II and III eligible at age 65



# After Retirement Increases (cont'd)



- ◆ Post Retirement Pension Adjustments (PRPA's)
  - Based on change in consumer price index (CPI) from year to year in Anchorage area.
  - Must be age 60 or have been receiving benefits for 5 years.
  - Tier I eligible for two types; ad hoc and automatic. If both are granted in a year, one yielding highest increase is used.
  - Tiers II & III eligible for automatic PRPA.

# Working After Retirement

## ◆ Standard Option

- Alaska Statute 39.35.150 prohibits member from working in a PERS covered position while receiving benefits.
- When you go back to work, benefit will be suspended until you terminate employment.
- When you terminate employment, first benefit will be reinstated.
- Must apply for second benefit.



# Working After Retirement (cont'd)

## ◆ Options

- Work in a temporary or nonpermanent position for PERS employer.
- Work in private sector.
- Work in TRS covered position.



# Social Security



- ◆ If you work in a position that does not pay into Social Security, and have less than 30 years of qualifying Social Security earnings, you may be subject to Windfall Elimination Provision which will reduce your Social Security benefit.
- ◆ Benefit estimates received from Social Security do not include offset - must be specifically requested. Contact Social Security for more information.
- ◆ (1-800-772-1213 / [www.ssa.gov](http://www.ssa.gov))

# Supplemental Annuity Plan (SBS-AP)

- ◆ Defined Contribution Plan
- ◆ Employee and employer contributions
- ◆ Employee controls investments
- ◆ May roll funds from another qualified plan into SBS-AP
  - 401 (a)
  - 401 (k)
  - 403 (b)
  - Governmental 457 (b)
  - non-ROTH IRA's

Money transferred into SBS-AP must be pretax funds.



# SBS-AP Payments



- ◆ Must be terminated from employment for 60 days
- ◆ Must file Annuity Benefit Election Form
- ◆ Payment options available
- ◆ Benefits taxable and may be subject to penalties for early withdrawal
- ◆ Roll-over eligible
- ◆ May leave contributions in system after termination from employment
- ◆ Must commence minimum payment by age 70-1/2

# Deferred Compensation Plan (DCP)

- ◆ Voluntary Defined Contribution Plan
- ◆ Employee contributions only
- ◆ Employee controls investments
- ◆ No open enrollment period
- ◆ \$50 per month minimum
- ◆ \$16,500 annual maximum (2009)
- ◆ Higher maximum if over age 50
- ◆ May cash in leave to increase contribution or maximize the “catch-up” provision



# DCP Payment Option



- ◆ Must be terminated from employment for 60 days
- ◆ Roll-over eligible
- ◆ May leave contributions in system after termination from employment
- ◆ Benefits taxable
- ◆ Payment options available
- ◆ Must file payment election form with Division of Retirement and Benefits
- ◆ Must commence minimum payment by age 70-1/2



Thank you for attending.  
Please complete the seminar evaluation  
located in each of your folders.

If you need further assistance please  
contact the  
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