

**State of Alaska  
Division of Retirement & Benefits**

Public Employees' Retirement System (PERS)  
PERS Retirement Process

Presented by Division of Retirement & Benefits



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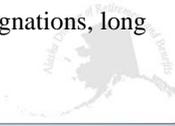
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**Ready to Retire?**

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



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**Determine Your Financial Needs**

- Shift to primarily saving and investing to ensure that your money lasts
- Most people live 20 years or more in retirement
- Rising cost of living



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### Sources of Retirement Income

Public Employees' Retirement System (PERS)

Social Security Administration (SSA)

Tax Deferred Savings Plans

Independent Savings



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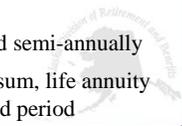
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### Voluntary Savings Plan

- The Voluntary Savings Plan is available to PERS members (**Tier I, II & III**)
  - No open enrollment
  - Contributions are post-tax
  - Minimum contribution of \$5 per pay period
  - Maximum contribution of 5% of gross salary per pay period
  - Earns 4.5% interest compounded semi-annually
  - Payment options include: lump sum, life annuity and installment over a designated period



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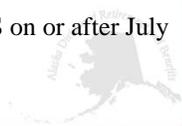
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### PERS – A Four-Tiered System

- 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)



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### Reaching Retirement Eligibility

- Tier I      Early – age 50  
              Normal – age 55 (**must be vested**)
- Tier 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



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### 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



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### Average Monthly Salary (AMS)

- Must have 115 days of credited service in last year to include as one of the three or five highest consecutive years
- Tiers II and III: Geographical Differential must have been received for 50% or more of PERS service to be used in calculation of benefit (State of Alaska Employees Only)



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### Average Monthly Salary (AMS)

Tier I and II

Payroll Year	Salary	Months
2010	\$50,000	12
2011	\$55,000	12
2012	<u>\$20,000</u>	<u>4</u>
	\$125,000	28

$\$125,000 \div 28 = \$4,464.29$




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### Benefit Formula

- 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
- Peace Officers and Firefighters
  - 2% x first 10 years x AMS
  - 2.5% for all years after 10 years x AMS




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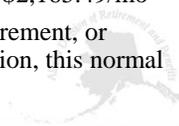
### Benefit Formula Example – All Others

Member A has **\$4,464.29** AMS and 22.40275 years of service

- $(2\% \times \text{AMS}) \times 10 = \$892.86$
- $(2.25\% \times \text{AMS}) \times 10 = \$1,004.47$
- $(2.5\% \times \text{AMS}) \times 2.40275 = \$268.16$

Total base retirement benefit = \$2,165.49/mo

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




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### Benefit Formula Example – Peace Officer/Firefighter

Member B has \$4,700 AMS and 25 years of service

- $(2\% \times \text{AMS}) \times 10 = \$940.00$
- $(2.5\% \times \text{AMS}) \times 15 = \$1,762.50$

Total base retirement benefit = \$2,702.50/mo

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



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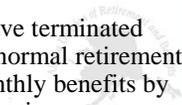
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### Pension Decisions

- 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
- 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



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### 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



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### Pension Decisions

- 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



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### Survivor Options

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



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### Survivor Options (continued)

- 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**



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## Survivor Options – Example\*

Benefit Type	Retiree	Survivor
Normal Benefit	\$3,307.87	\$0.00
75% J&S	\$2,933.19	\$2,199.89
50% J&S	\$3,048.27	\$1,524.14
66-2/3% LS	\$3,081.28	\$2,054.29

Member is age 60 and survivor is age 57

If retiring early, benefit is reduced




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## PERS Application for Retirement Benefits

**I. PENSION BENEFIT ELECTION**  
 I hereby apply for  Early  Normal retirement benefits to become effective the 1st day of \_\_\_\_\_ (month), \_\_\_\_\_ (year).  
 Retirement Options. Choose from either A or B below.

**A. Survivor Options (Married Members or members with Same-Sex Partners)**

Survivor Information  
 Name (First, M., Last) \_\_\_\_\_ Birthdate \_\_\_\_\_  
 Social Security Number \_\_\_\_\_ Relationship:  spouse  Same-Sex Partner

If electing a same-sex partner relationship, both you and your partner must complete and sign the Same-Sex Partner Affidavit and the Declaration of Tax Status forms and submit them with this application. Documentation supporting the affidavit need not be filed with the application but is required before benefits can be paid. (See page 23 for information about designating an incapacitated child as your survivor.)

If you are married, 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 died 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 66-2/3% for the rest of my life. 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.

**B. No Survivor Option (Single members. If you are married you may only choose this option if your spouse signs the waiver below. All benefits including medical coverage will cease upon the death of the applicant.)**

Regular Retirement Benefit: I do not elect a Survivor Option.  
 Level Income Option. (available if first died before July 1, 1996) I request my retirement benefits in an increased amount prior to age 65 and a reduced amount after age 65 for life regardless of any benefits I may receive from any other plan. 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 under this option. This option may only be selected if no survivor option has been 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 that by signing this waiver I freely make 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 \_\_\_\_\_

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## Increasing Service Credit

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




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### 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 deduction
  - Pay with post-tax dollars
- Take lifetime actuarial reduction on retirement benefit



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### Insurance Decisions

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



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### 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 P/F 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



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### Medical Benefits - continued

- Retiree medical plan covers member and eligible dependents
  - Eligible dependents; spouse 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

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### 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 benefit 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

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### Insurance Elections - Medical

Name \_\_\_\_\_ Social Security Number or RIN \_\_\_\_\_  
 Retirement Effective Date \_\_\_\_\_

VII. HEALTH BENEFIT ENROLLMENT

**MEDICAL BENEFITS (must mark a box)** See Premium Rate Card

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 pgs 8-14 for eligibility requirements

**DENTAL-VISION-AUDIO BENEFITS (must mark a box)** See Premium Rate Card

I elect the following dental-vision-audio (DVA) coverage:  No dental-vision-audio 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 BENEFITS (must mark a box)** See Premium Rate Card

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 \_\_\_\_\_

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### Optional Plan Enrollment

- Dental-Vision-Audio (DVA)
  - Tier I: Must elect at retirement
  - Tier 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*

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### 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 benefit per year

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### Dental/Vision/Audio Coverage

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

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## Insurance Election (DVA)

Name \_\_\_\_\_ Social Security Number or RIN \_\_\_\_\_  
 Retirement Effective Date \_\_\_\_\_

VII. HEALTH BENEFIT ENROLLMENT

**MEDICAL BENEFITS (must mark a box)** See Premium Rate Card  
 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 pgs 8-14 for eligibility requirements

**DENTAL-VISION-AUDIO BENEFITS (must mark a box)** See Premium Rate Card  
 I elect the following dental-vision-audio (DVA) coverage:  No dental-vision-audio 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 BENEFITS (must mark a box)** See Premium Rate Card  
 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 \_\_\_\_\_

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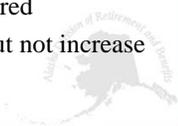
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## Long Term Care (LTC)

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




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## Insurance Elections (LTC)

Name \_\_\_\_\_ Social Security Number or RIN \_\_\_\_\_  
 Retirement Effective Date \_\_\_\_\_

VII. HEALTH BENEFIT ENROLLMENT

**MEDICAL BENEFITS (must mark a box)** See Premium Rate Card  
 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 pgs 8-14 for eligibility requirements

**DENTAL-VISION-AUDIO BENEFITS (must mark a box)** See Premium Rate Card  
 I elect the following dental-vision-audio (DVA) coverage:  No dental-vision-audio 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 BENEFITS (must mark a box)** See Premium Rate Card  
 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 \_\_\_\_\_

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## Appointment Letter Example

Dear Mr. Jones:

This letter is a summary of the benefits that you have selected under your Public Employees' Retirement System (PERS). **Please read this letter carefully.** If you think there is an error or that you may have selected a benefit that is not listed in this letter, contact the Division of Retirement and Benefits immediately. You may only make corrections to your elections within 15 days of the date of this letter or before your next benefit check is issued, whichever is later.

You are appointed to retirement effective **August 1, 2012**.

Your **early** monthly benefit will be **\$445.65**. Please review the enclosed benefit calculation to ensure your service and the salaries used to calculate your average monthly salary are correct and, if you had any indebtedness, that it has been applied as you directed on your application. Report any errors to the Division immediately.

You will also receive **\$50.00** in Alaska Cost-of-Living Allowance (COLA) as long as you reside in Alaska.

Since you elected the **75% Survivor Option**, your survivor will be entitled to a monthly benefit equal to **75%** of your total benefit, including **75%** of any retirement increases, should you die.

Your monthly retirement benefit is subject to federal income tax. However, the contributions that you made to PERS prior to January 1, 1987, and any indebtedness payments have already been taxed. Therefore, a portion of your benefit is excludable from taxes. Your total taxed contributions are **\$13,447.97**. The monthly tax excludable portion of your benefit is **\$32.80** and will continue for **410** months.

The annual tax excludable amount will be shown on your 1099R form at the end of each year. If you did not submit a completed W-4P, federal income tax is being withheld from your monthly benefits based on the tax rate for a married person with three allowances.

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## 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

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## After Retirement Increases - continued

- Post Retirement Pension Adjustment (PRPA)
  - 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

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### 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




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### Working After Retirement - continued

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




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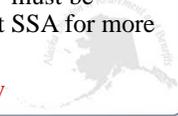
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### Social Security

- If you work in a position that does not pay into Social Security (SSA) 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 SSA for more information
- 1-800-772-1213 / [www.ssa.gov](http://www.ssa.gov)




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**Contacts**

**Division Regional Counselors**

- Anchorage Office
  - Debbie Bialka, Paul Carlson, Mark Rosier
- Tony Brakes, Paul Carlson
  - QDRO
- Marla Christenson
  - Disability




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**Contacts**

**Division Regional Counselors**

- Roberto Aceveda
  - Aleutians, Western Alaska, Kenai Peninsula
- Debbie Bialka
  - Mat-Su
- Pam Couzin
  - Fairbanks and Railbelt, Tok, Glennallen, Valdez
- Mike Doss
  - Southeast and AMH System




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**Contacts**

DRB Customer Service Center  
 (800) 821-2251 or (907) 465-4460  
 10:00 a.m. to 3:30 p.m.




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## Contacts

Thank you for attending!

Please complete the seminar evaluation  
located in each of your folders.



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