

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

Presented by Division of Retirement & Benefits



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**Planning for Retirement**

- Determine your needs
- Learn what options are available
- Determine the tax consequences of various options
- Explore techniques to turn your investments into income



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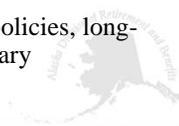
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**Determine Your Financial Needs**

- Determine income you will need
  - Review personal records
  - List all income and expenses
  - You may need 85% to 100% of your pre-retirement income
- Review
  - Insurance policies, health policies, long-term care policies, beneficiary designations, wills, etc...



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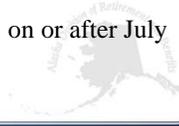
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### TRS – Three Tiered System

- Tier I – first enrolled in TRS prior to July 1, 1990
- Tier II – first enrolled in TRS on or after July 1, 1990
- Tier III – first enrolled in TRS 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    Early – age 55  
              Normal – age 60 (must be vested)
- Tier I & II
  - Can retire at any age with 20 years of paid TRS membership service



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### Vesting Requirements

- Eight paid-up years of membership service; or
- Five paid-up years of membership service and three paid-up years of Alaska BIA service; or
- 12 paid-up years of part-time or a combination of part-time and full-time TRS membership service

*If you entered TRS prior to July 1, 1975, contact your representative for more information*



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### Retirement Service Eligibility

- Can retire at any age and receive a normal benefit if you have:
  - 20 paid-up years of TRS service
  - 20 paid-up years of combined TRS service and Alaska BIA service, if last five are TRS service
  - 20 paid-up years of combined full-time and part-time service (at least 172 days worked)
  - 25 paid-up years of credited service if last five are TRS years

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### How Service is Credited

- Based on number of contract days worked during school year
- Part-time teachers
  - Must work at least 50% of the normal workweek on a regular basis
  - Service is credited in proportion to full-time credit

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### Membership Service Chart

0-8 days = no credit
9 to 26 days = .1
27 to 44 days = .2
45 to 62 days = .3
63 to 80 days = .4
81 to 99 days = .5
100 to 117 days = .6
118 to 135 days = .7
136 to 153 days = .8
154 to 171 days = .9
172 days or more = 1.0

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### Benefit Alert!

- Vested members who have terminated TRS employment and reached normal retirement age will not receive larger monthly benefits by waiting until they are older to retire



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### Average Base Salary (ABS)

- ABS is determined by
  - Adding together your three highest annual base contract salaries
  - Dividing total by 3
- To include a base salary as one of three highest
  - Must work and receive compensation during at least 2/3 of the school year



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### Benefit Calculation

- $2\% \times \text{ABS} \times \text{all service up to 20 years}$ ;  
plus
- $2.5\% \times \text{ABS} \times \text{all service over 20 years}$   
served after June 30, 1990



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### Applying the Formula

**Example:** 22 years of service, assuming ABS is \$85,000

$2\% \times \$85,000 \times 20 \text{ years} = \$34,000$ ; plus

$2.5\% \times \$85,000 \times 2 \text{ years} = \$4,250$

$\$38,250 \text{ divided by } 12 = \$3,187.50 \text{ monthly}$

**Note:** If eligible for early retirement, choose joint and survivor option, or have an indebtedness owing at retirement, normal benefit amount is reduced

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### Early Retirement Reduction

**Example:** 19 years of service

Age: 55 years, 5 months

Tier II ABS = \$85,000

$2\% \times \$85,000 \times 19 \text{ years} = \$32,300$

Multiply early age factor  $\times .623501$

$\$20,139.08/12$

Monthly benefit = \$1,678.25

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### Increasing Service Credit

- Claiming Outside teaching service or active military service
- Claiming unused sick leave
  - Claim at retirement
  - Contributions not required
  - Credited according to current Membership Service Charge
  - Added to your TRS service and increases your retirement benefit after retirement
  - Cannot be used as eligibility credit

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### Indebtedness Payment Options

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



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### Pension Decisions

#### Retirement Pension Options

- Regular Retirement
- 1% Supplemental
- 50% or 75% Joint & Survivor (J&S)
- 66 2/3% Last Survivor (LS)



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### Regular Retirement Option

- No reduction to benefit except for early retirement or indebtedness, if applicable
- All benefits cease at your death, including medical insurance
- Beneficiary receives balance of contribution account, if any, and last pension check



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### 1% Supplemental Option

- Must have been enrolled in TRS prior to July 1, 1982
- Must have paid supplemental contributions for minimum of five years prior to retirement
  - Unless first enrolled prior to July 1, 1977
    - Then must have made contributions for minimum of one year prior to retirement

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### 1% Supplemental Option - continued

- **Survivor's Benefit** = 35% of last contract salary
  - Plus 10% for each dependent child up to four children
  - Converts to a spouse's pension when last dependent is ineligible
- **Spouse's Pension** = 50% of retirement benefit

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### Survivor Options

- Election of a survivor option
  - Reduces regular retirement benefit by an actuarial factor
    - 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 survivor option is chosen

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## Survivor Options - continued

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




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## Joint & Survivor Example

Early retirement benefit of \$1,184.65/month  
 Member age: 55 years 5 months  
 Spouse age: 54 years

	<u>Member</u>	<u>Survivor</u>
75% J&S	\$1,082.43	\$811.82
50% J&S	\$1,114.48	\$557.24
66 2/3 LS	\$1,132.00	\$754.67




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## TRS Application for Retirement Benefits

**II. PENSION BENEFIT ELECTION**  
 I hereby apply for  Early  Normal retirement benefits to become effective the 1st day of \_\_\_\_\_ (month), \_\_\_\_\_ (year).  
\*If you have worked 172 days in this school year your retirement effective date is July 1.

**Retirement Options. Choose from either A or B below.**

**A. Survivor Options (Married Members or members with Same-Sex Partners)**  
 I have contributed to the 1% supplemental contribution program and I am entitled to continuing survivor benefits.  
 I have not participated in the 1% supplemental contribution program and elect the survivor benefit I have checked below.

Survivor Information  
 Name (First, MI, 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 pages 14-15 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. 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.

**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 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 \_\_\_\_\_

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**Insurance Decisions**

Health Insurance Elections

- Medical (Tier II)
- Dental/Vision/Audio (DVA)
- Long-Term Care (LTC)




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**Medical Benefits**

- Tier I: System-paid family medical coverage at retirement
- Tier II: System-paid family medical coverage at age 60 or 25 years of TRS membership service

*If retired prior to age 60, member pays full premium until age 60. Open enrollment period each year*




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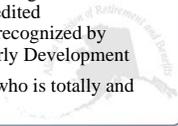
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**Medical Benefits - continued**

- 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 \_\_\_\_\_  
 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  System paid AlaskaCare medical (see pp8-17 for eligibility requirements)  
 Retiree only  Retiree and spouse or same-sex partner  Retiree and child(ren)  
 Retiree, spouse or same-sex partner, and child(ren)

**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 Elections - DVA

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_  
 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  System paid AlaskaCare medical (see pgs 8-17 for eligibility requirements)

Retiree only  Retiree and spouse or same-sex partner  Retiree and child(ren)  
 Retiree, spouse or same-sex partner, and child(ren)

**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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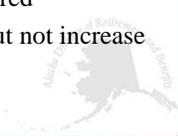
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## Long-Term Care

- 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 \_\_\_\_\_  
 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  System paid AlaskaCare medical (see pgs 8-17 for eligibility requirements)

Retiree only  Retiree and spouse or same-sex partner  Retiree and child(ren)

Retiree, spouse or same-sex partner, and child(ren)

**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

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Retiree, spouse or same-sex partner, and child(ren)

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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 Members Name:

This letter is a summary of the benefits that you have selected under your Teachers' Retirement System (TRS). **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 **July 1, 2009**. Please review the enclosed benefit calculations to ensure your service and the salaries used to calculate your average base salary are correct and, if you had any indebtedness, that it has been applied as you directed on your application. If you have claimed your unused sick leave, you will see two calculations, one without the unused sick leave credit and one with the unused sick leave credit. Report any errors to the Division immediately. If your certification lapsed at any time in the past you were not given service credit for that period. Our statutes prevent earning credit in TRS while your certification is lapsed.

Your normal monthly benefit will be **\$1,792.08**.

You will also receive **\$179.21** in Alaska Cost-of-Living Allowance (COLA) as long as you reside in Alaska.

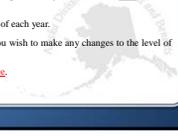
Since you elected the **75% Survivor Option**, your survivor will be entitled to a monthly benefit equal to **75%** of your total benefit, including 75% of any after retirement increases, should you die.

Your monthly retirement benefit is **subject to federal tax**. However, the contributions that you made to TRS prior to January 1, 1991, and any indebtedness payments have already been taxed. Therefore, a portion of your benefit is **excludable** from taxes. Your total taxed contributions are **\$1,184.84**. The monthly tax excludable portion of your benefit is **\$3.84** and will continue for **210** months.

The annual tax excludable amount will be shown on your 1099R form at the end of each year.

You will find a W-4P 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 federal income tax withholding option is **married with one allowance**.




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### After Retirement Increases

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

- 10% of base retirement benefit
- Must be domiciled and physically present in Alaska
  - Tier I eligible at retirement
  - Tiers II eligible at age 65
  - All disabled members are eligible



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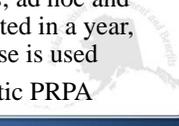
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### After Retirement Increases - continued

- 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 8 years
  - Members receiving disability benefits
  - 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 eligible for automatic PRPA



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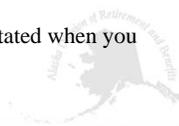
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### Working After Retirement

#### Standard Option

- Alaska Statute 14.25.043 prohibits members from working while receiving TRS retirement benefits and service at the same time
- Benefit is suspended until you terminate employment
- Earn additional service toward additional pension benefit
- First retirement automatically reinstated when you terminate employment
- **Must apply for your second benefit**



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## Working After Retirement - continued

Types of employment allowed:

- Temporary or nonpermanent position for a TRS employer
- Private sector
- PERS covered position
- Less than 50% contract



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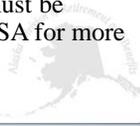
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## Social Security Offset

- 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](tel: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
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- 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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