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# Pension Benefits

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You will be eligible to retire and receive monthly benefits when you are vested and reach retirement age or when you meet the minimum service requirements.

## Vesting

To be vested you must have at least one of the following:

- ◆ Eight paid-up years of TRS membership service;
- ◆ Five paid-up years of TRS membership and at least three paid-up years of Alaska Bureau of Indian Affairs (BIA) service which when added to the membership service will equal at least eight years;
- ◆ Twelve paid-up years of combined part-time and full-time TRS membership service (you must have worked at least 172 days and have one half year of membership service as a part-time teacher or one full year of membership service as a full-time teacher in each of 12 school years); or
- ◆ You first entered the TRS before July 1, 1975, have fifteen paid-up years of TRS credited service, and the last five years are membership service.

Once you are vested, you may terminate TRS employment and still receive a monthly retirement benefit when you reach retirement age. You must leave your contributions in the TRS to stay vested.

## Minimum Requirements for Age-Based Retirement

You will be eligible to retire and receive a monthly pension benefit if you are vested and meet the following age requirements:

- ◆ Age 55 for normal retirement or age 50 for early retirement if you first entered the TRS before July 1, 1990 (Tier I); or
- ◆ Age 60 for normal retirement or age 55 for early retirement if you first entered the TRS on or after July 1, 1990 (Tier II).

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Under early retirement your monthly benefit is actuarially reduced based on your age. The closer you are to normal retirement age, the smaller the reduction. The early retirement reduction is effective for the lifetime of the benefit. Sample early retirement factors are provided in the Appendix.

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

**WARNING:** If you refund your TRS contributions and interest, you will forfeit your TRS pension benefit.

### Minimum Requirements for Service-Based Retirement

You may be eligible to retire at any age and receive a normal, unreduced monthly pension benefit if you have:

- ◆ 20 paid-up years of TRS membership service;
- ◆ 20 paid-up years of combined TRS membership and Alaska BIA service, if the last five years are membership years;
- ◆ 20 paid-up years of combined part-time and full-time TRS membership service (you must have worked at least 172 days and have one half year of membership service as a part-time teacher or one full year of membership service as a full-time teacher in each of 20 school years); or
- ◆ 25 paid-up years of credited service, if the last five years are TRS membership service.

Refunded service that has not been fully repaid cannot count towards retirement eligibility.

#### **CAUTION**

If you plan to retire under the service based provision, you are strongly advised to have your service verified by your employer to confirm there has been no error in the service reported to the TRS on your behalf. You should not terminate your employment until your eligibility has been confirmed.

### Pension Benefit Calculation

Your normal retirement benefit will be calculated as follows:

- ◆ 2 percent times your average base salary (ABS) times all service years up to 20, including all years earned prior to 1990 divided by 12; plus
- ◆ 2-1/2 percent times your ABS, times all service years over 20 that were earned after 1990, divided by 12.

Your ABS is determined by adding your three highest annual-based contract salaries (including addenda) together and dividing the total by three. You must work and receive compensation during at least two-thirds of a school year (115 days), either full-time or part-time, to include it as one of your three highest.

The base salary for part-time teachers will be figured at the full-time rate for this calculation. Only the actual salary paid during a sabbatical year can be considered for calculation of ABS.

Bonuses received in your last year of employment that are contingent on termination are not included as compensation.

#### EXAMPLE

In this example, if the following salaries are your three highest, your ABS would be \$45,000.

School Year	Base Salary
1999-2000	\$ 40,000
2000-2001	45,000
2001-2002	50,000
	<u>\$ 135,000</u>

*\$135,000 divided by 3 years equals \$45,000*

### Retirement Benefit Options

If you select early retirement or one of the joint and survivor options, the normal retirement benefit amount will be reduced. Sample early retirement and joint and survivor factors are provided in the Appendix.

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When you are eligible to retire, you can choose among the following retirement options:

- ◆ Normal or Early Retirement;
- ◆ Joint and Survivor Options (50% or 75%); or
- ◆ Last Survivor Option (66-2/3%).

If you are married, you are required to select a joint and survivor option unless your spouse consents to another form of benefit or is eligible for benefits under the 1% Supplemental Contributions Provision.

Before selecting an option, you should be aware of the advantages and disadvantages of each option. We recommend you contact the Division prior to applying for retirement benefits.

**WARNING:** Once you begin receiving pension benefits, your selection cannot be changed!

### **Normal Retirement**

This option provides an unreduced lifetime monthly benefit for you. It will NOT provide a continuing lifetime monthly benefit to your spouse after you die unless you also select a joint and survivor option. If you select a joint and survivor option, your normal retirement benefit will be reduced. All benefits, including retiree medical benefits, cease at your death.

Your beneficiary would receive the balance of your contribution account, if any, at the time of your death or your last pension check.

### **Early Retirement**

Early retirement allows you to retire up to five years earlier. Your lifetime monthly benefit will be reduced to offset the additional years of benefit you will receive. It will NOT provide a continuing lifetime monthly benefit to your spouse after you die unless you also select a joint and survivor option.

If you don't choose a joint and survivor option, your beneficiary will receive the balance of your contribution account, if any, at the time of your death. If the benefits that you received before your death exceeded the amount in your account, your beneficiary will receive your last month's retirement check.

The younger you are when you retire early, the more your monthly benefits are reduced. You would, however, begin receiving benefits earlier than normal and would receive them for a longer period of time.

If you select a joint and survivor option, your early retirement benefit will be further reduced.

Sample actuarial factors for the early retirement option are in the Appendix.

### Joint and Survivor Options

If you are married, you are required to elect a joint and survivor option unless your spouse consents to another form of benefit or is eligible for benefits under the 1% Supplemental Contributions Provision.

You may also be required to elect a joint and survivor option under the terms of a Qualified Domestic Relations Order (QDRO).

#### **50% Joint and Survivor Option**

Your retirement benefit is actuarially reduced from what it would be normally. After your death your spouse would receive a lifetime monthly benefit equal to 50 percent of your reduced benefit. If your spouse dies first, your benefit does not change.

#### **75% Joint and Survivor Option**

Your retirement benefit is actuarially reduced from what it would be normally. After your death your spouse would receive a lifetime monthly benefit equal to 75 percent of your reduced benefit. If your spouse dies first, your benefit does not change.

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### **66-2/3% Last Survivor Option**

Your retirement benefit is actuarially reduced from what it would be normally.

The last survivor option differs from the joint and survivor options in that whoever is the last survivor between you and your spouse receives the reduced retirement benefit. If your spouse dies first, your benefit reduces to 66-2/3 percent for the rest of your lifetime. If you die first your spouse would receive a lifetime monthly benefit equal to 66-2/3 percent of your reduced benefit.

If you elect a joint and survivor or last survivor option, your spouse and eligible dependents will qualify for continuing retiree medical coverage after your death.

Sample actuarial factors for the joint and survivor and last survivor options are found in the Appendix.

### **Rights of Spouses and Dependents**

The provisions recognizing the rights of spouses and dependents under the TRS:

- ◆ Require the benefit payable to a married member who retires be in the form of a joint and survivor annuity, unless the spouse consents to another form of benefit or benefits are payable under the 1% Supplemental Contributions Provision. A joint and survivor annuity will provide a continuing lifetime monthly benefit to your spouse or other eligible dependent if you die before your spouse;
- ◆ Require a joint and survivor annuity be provided to the surviving spouse of a vested member who dies before retirement if the spouse does not waive the joint and survivor annuity; and
- ◆ Allow a former spouse to be treated as a spouse or surviving spouse of a member to the extent required in a divorce decree and contained in a Qualified Domestic Relations Order (QDRO). Rights under a QDRO do not take effect until the QDRO is filed with and accepted by the TRS administrator.

**WARNING:** If you have been divorced during your TRS employment, you must provide court-certified copies of your divorce decree and property settlement to the TRS. Your retirement benefit cannot commence until it is determined whether your former spouse has any entitlement.

A spouse may provide written consent to the TRS administrator for another type of benefit and forfeit a joint and survivor benefit. If the spouse provides this consent, all benefits, including continuing medical coverage, cease at the member's death.

A spouse may provide written consent to waive rights to a joint and survivor benefit to allow an incapacitated, dependent child to receive the lifetime monthly benefit. Medical documentation establishing incapacity must be provided to the TRS administrator for approval before a waiver can be accepted.

The TRS administrator may waive the required written consent before retirement if documentation is provided supporting that:

- ◆ The member was not married to the spouse during any part of the member's TRS employment;
- ◆ The spouse has no rights to benefits because of the terms of a divorce decree;
- ◆ The spouse cannot be located; or
- ◆ The member and spouse have been married less than two years and are not living together.

### Refund Rights

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 TRS administrator. Terminated members who have divorced at any time during their TRS employment 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.

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If a 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. For detailed information regarding QDROs, please contact the Division for a copy of the *Qualified Domestic Relations Order Divorce and Dissolution Information Package*.

### Establishing Benefit Entitlement

Individuals who are entitled to benefits because of marriage or a QDRO must file evidence of their entitlement in the form of a marriage certificate, divorce or dissolution decree, or QDRO with the TRS administrator to protect their rights.

If evidence of entitlement has not previously been filed, evidence must be filed with the TRS administrator within 10 days of the member's death.

**WARNING:** If notice is not provided within 10 days and benefits are paid to another person before a claim is filed, no benefits will be paid to the individual filing evidence of entitlement. If any benefits remain to be paid at the time evidence is received, they will be paid according to entitlement.

### How to Apply for Benefits

Contact the Pre-Retirement Services Unit at the Division and request an estimate of benefits and a retirement application packet a minimum of 120 days in advance of your prospective retirement date. Once you have received the estimate and the retirement packet, you can arrange to meet with your regional counselor either in person during a field visit to your area, by an appointment in either our Anchorage or Juneau office, or by telephone to discuss any questions you might have about the process.

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You will need to provide copies of your proof of age, proof of spouse's age, and, if you have been divorced at any time during your TRS employment, a court-certified copy of your divorce decree and property settlement if you have not already provided this to the Division. You must also send in a copy of your marriage certificate if you are married.

To allow for processing time, your application should be sent to the Division at least 60 days before you terminate employment.

**WARNING:** If you are meeting retirement eligibility requirements by years of service, be sure to have your service verified prior to terminating employment.

### Pension Benefit Payments

You will be appointed to retirement and be eligible for medical benefits on the first of the month following the date:

- ◆ You meet the minimum service and age requirements for retirement; however, if your birthday falls on the first day of the month, you are eligible to retire that month rather than the following month;
- ◆ You terminate TRS employment; and
- ◆ Your completed *Application for Retirement Benefits* (form trs025) is either postmarked or received by the Division.

**WARNING:** If you have earned a full year of TRS credit (172 days) during your last school year, you are not eligible to retire until the beginning of the following school year (July 1) regardless of when you terminate TRS employment.

### Benefits Start

Pension benefits are paid once per month at the end of the month. The processing of your first benefit check can take up to six weeks. More detailed information about the application for retirement is included in the *TRS Retirement Application Instruction Booklet*.

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### The Final Check

The beneficiary may be entitled to the benefit check for the month in which a benefit recipient dies. However, a check payable to a deceased recipient must be returned to the Division and reissued in the beneficiary's name. **It is illegal to cash a deceased member's check.**

### Conditional Service Benefit

You may be eligible for a conditional service benefit from the TRS if you are vested in the Public Employees' Retirement System (PERS), are eligible for a PERS retirement benefit, and you have at least two paid-up years of TRS membership service.

If you are retired from the PERS, you may receive a conditional service benefit from the TRS with only one year of TRS service.

Conditional service benefits are calculated based on the highest salaries that are earned in either system. For example, PERS salaries (if higher) will be used to calculate TRS conditional benefits and TRS salaries (if higher) will be used to calculate PERS conditional benefits. However, TRS salaries may not be used to calculate regular PERS retirement benefits, unless the member is vested in both systems.

It is not necessary to be reemployed in the TRS to reinstate service credit under the conditional service provision. Conditional service benefits will NOT be paid unless the reinstatement indebtedness is paid in full.

Members who are eligible to receive conditional service benefits are NOT vested unless they satisfy the vesting requirements. You may be eligible for a conditional service benefit from the PERS if you are vested in the TRS, are eligible for a TRS retirement benefit, and you have at least two paid-up years of PERS membership service.

**WARNING:** Your right to reinstate refunded service for conditional service benefits ends on June 30, 2010. If you haven't reinstated your service by that date you forfeit the refunded service and the associated benefits.

### Public Service Benefit

If you are not vested in either the TRS or the PERS, you may be able to combine your TRS and PERS service under the public service benefit provision in the PERS. This allows you to combine your TRS and PERS service to reach the minimum of five years of employment required to receive a benefit under the PERS. You need to have a minimum combined total of five years service in both the TRS and the PERS with a minimum of two years in the PERS. Please contact the Division to find out if this provision applies to you and what the costs will be.

### Duplicate Benefits

The TRS prohibits payment of TRS benefits under more than one provision, such as:

- ◆ Duplicate TRS credit for any segment of service;
- ◆ TRS credit that exceeds more than one year during any school year;
- ◆ Payment of TRS benefits at the same time TRS credit is accruing; or
- ◆ Participation in both the TRS and the PERS at the same time unless a member is eligible under AS 14.25.040(d), AS 39.35.131, or for elected public official credit under AS 39.35.381.

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### **TRS and Your Social Security Pension Benefits**

Many factors go into determining your Social Security eligibility and benefits. Alaska teachers do not participate in Social Security. Your Social Security benefits may be affected by your TRS pension. The following information comes from Social Security publications explaining how a retirement benefit received from the TRS can reduce any Social Security benefits.

If you worked for a federal, state, or local government where you did not pay Social Security taxes, the pension you receive from that agency may reduce any Social Security benefit for which you are qualified. TRS members do not contribute to Social Security.

Your Social Security benefit can be reduced in one of two ways. One is called the “governmental pension offset” and applies to persons eligible to receive Social Security benefits as a surviving spouse.

The other is called the “windfall elimination provision” and affects how your retirement or disability benefits from Social Security are calculated if you receive a pension from work not covered by Social Security, such as your TRS benefits.

For more information regarding how your TRS benefits may affect any Social Security benefits you may be entitled to, please contact the Social Security Administration by calling their toll-free number (800) 772-1213. Recorded information is available 24 hours a day including holidays and weekends.

People who are hearing impaired may call the toll-free TDD number (800) 325-0778 between 7 a.m. and 7 p.m. on business days. You can also access Social Security information through the Internet at [www.ssa.gov](http://www.ssa.gov).

## After-Retirement Benefit Increases

### **Cost-of-Living Allowance**

If you reside in Alaska after you retire, you may be eligible to receive the Alaska Cost-of-Living Allowance (COLA) in addition to your regular monthly benefit. COLA is equal to 10% of your base benefit.

The following benefit recipients are eligible for COLA:

- ◆ Members who first entered the TRS before July 1, 1990 (Tier I), and their survivors;
- ◆ Members who first entered the TRS on or after July 1, 1990 (Tier II), and their survivors if they are at least age 65; and
- ◆ All members receiving a disability benefit.

Residing in Alaska means principally domiciled and physically present in Alaska. You may be absent from the state for a continuous period of up to 90 days and still be eligible to receive COLA. You may also be eligible to receive COLA if you are absent from the state for up to six months if you submit a physician's certificate to the division.

For details regarding COLA, please read the brochure *TRS Alaska Cost-of-Living Allowance*.

### **Post Retirement Pension Adjustment (PRPA)**

Eligible TRS benefit recipients will receive an automatic annual PRPA when the cost of living increases, based on the consumer price index for urban wage earners and clerical workers for Anchorage. The amount of the PRPA will depend upon the recipient's age, how long the recipient has been receiving TRS benefits, and whether the recipient is receiving TRS disability benefits.

PRPAs are calculated effective July 1 each year by multiplying the recipient's base pension benefit, including any prior PRPAs, times:

- ◆ 75% of the cost-of-living increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on TRS disability on July 1; or

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- ◆ 50% of the cost-of-living increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60 or has been receiving TRS benefits for at least eight years as of July 1.

Eligible recipients who have not received pension benefits during the entire preceding calendar year will receive a prorated PRPA.

### **Ad Hoc PRPA**

Members who were first hired under the TRS before July 1, 1990, are still eligible to receive ad hoc PRPAs. Ad hoc PRPAs may only be granted if the TRS fund balance exceeds 105% of which is necessary for the TRS to meet its obligations. When an ad hoc PRPA is granted, benefit recipients who are eligible for both that PRPA and the automatic PRPA will receive whichever PRPA is larger.

### **Unused Sick Leave**

The TRS does not administer the statute regarding the transfer of unused sick leave from one district to another. While you are actually employed you should contact the Department of Education and Early Development for information about transferring your unused sick leave. When you retire, you may receive additional TRS credit by claiming your unused sick leave. Your claim for unused sick leave must be verified by your last employer and must be received by the TRS no later than one year after you are appointed to retirement benefits. Only full days are creditable and contributions are not required for sick leave.

Unused sick leave earned participating in the University of Alaska retirement program is not creditable in the TRS.

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### Unused Sick Leave Credit Chart

Sick Leave	Service Credit
0 to 8 days	= no credit
9 to 26 days	= 0.1 year
27 to 44 days	= 0.2 year
45 to 62 days	= 0.3 year
63 to 80 days	= 0.4 year
81 to 99 days	= 0.5 year
100 to 117 days	= 0.6 year
118 to 135 days	= 0.7 year
136 to 153 days	= 0.8 year
154 to 171 days	= 0.9 year
172 days	= 1.0 year

For example, If you are claiming 181 days of unused sick leave, you would receive another year of credit for the 172 days. The additional nine days would give you an additional .1 year of credit. When you are on retirement for the number of days equal to the unused sick leave days claimed, your benefit will increase according to the added service credit. The benefit increase will be effective on the first of the month following that date.

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