

V – The Defined Contribution Member (Tier III)

Enrollment

Members who first entered the TRS:

- On or after July 1, 2006, are in Tier III
- Non-vested defined benefit (DB) members who elected to convert to the DCR are in Tier III

Tier status is established when a member first begins making contributions to the TRS. Your new member may have participated in the system prior to their employment with you. Before reporting new members to the system, be sure to confirm the correct tier status for them. This can be done by contacting your Regional Counselor or by using the Tier Look-Up report on the Division Employer Services Web site.

Those Not Covered Under the TRS DCR Plan

- Temporary (substitute);
- Those who work less than 50% contract;
- Those who participate in the University of Alaska’s Optional Retirement Plan (ORP).

Hiring a TRS DCR Retired Member

There are IRC codes that prohibit a retired member from making “In Service” contributions to their retirement account while they are receiving a distribution from that account. Employers should encourage the DCR member to seek the advice of a qualified tax consultant for guidance on the IRC codes. **Failure to inform the member of this could result in significant financial repercussions for the member.**

TRS retired members who come back to TRS eligible employment retain the amount of service that they had accrued prior to retirement. Upon reemployment in TRS the service counts toward vesting in the employer contributions, medical eligibility, the Health Reimbursement Arrangement (HRA) and for retirement eligibility.

Classification

The following members are covered under the TRS and earn membership service in the TRS:

- Full-time members in a position that requires teaching on a regular basis for the normal work period per day or week at a teaching assignment; and
- Part-time members in a position that requires teaching on a regular basis for at least 50 percent of the normal workweek at a teaching assignment.

NOTE: The member earns TRS membership service and is considered certified as long as they hold a valid teaching certificate issued by the Department of Education and Early Development.

A valid teaching certificate must be received within 120 days of the member’s employment otherwise membership in the TRS system will be terminated immediately, the member’s contributions refunded for that period of ineligible employment and the corresponding period of ineligible service removed from the member’s employment history.

The school district will provide a copy of regulation 2 AAC 36.890 to a member hired for a teaching position that does not possess a valid teaching certificate at the time of hire.

No Claimed Additional Service

With the exception of a call to active military duty, DCR members may not claim other types of service for credit in the TRS.

Calls to Active Military Duty While Employed in TRS

Per the 1994 Uniformed Services Employment and Reemployment Rights Act (USERRA) military personnel who are currently working for a TRS employer and called out to a period of active duty may be entitled to claim the period as regular service credit upon their return to the employer. In most cases, the cumulative period(s) of call to active duty cannot exceed five years.

The member is to be granted reasonable time off prior to the beginning of the active duty period to take care of personal affairs and to travel to the reporting site. In addition, the member is to be granted a period of rest before returning to work. The period of time the member has to report back to work varies depending upon the length of the active duty period, not to exceed 90 days after discharge from active military duty.

This time frame may be extended due to medical circumstances. If the member suffers a disability upon their return to employment, the employer is required to make reasonable accommodations to return the member to active employment.

If you have a member who is called to active duty:

- Contact a Regional Counselor
- Inform member of right to claim service upon return to employment
- Report the leave of absence through payroll reporting
- Inform member of the process to claim service upon return to employment

Calls to active duty must be claimed for credit in the TRS by the member once they return to employment. The member is required to write a memo requesting to claim the period of active duty for service credit in TRS. The memo plus documentation verifying the release from active duty with an honorable discharge, typically a DD214, is sent to the division for processing.

Once claimed, the entire period of the military leave of absence (prior days and up to 90 days after discharge) is credited as regular service in the TRS. The service counts toward vesting in the employer contributions, medical eligibility, the Health Reimbursement Arrangement (HRA) and for retirement eligibility.

DCR members may elect to make up all or part of their contributions for the period of military leave of absence once they have returned to the employer.

The employer will make their contributions to the member's account proportionate to what the member makes up. If the member does not elect to make up their contributions, they will not receive the employer contribution to their account.

The allowable time frame for making up the contributions is up to three times the length of the period of the military leave of absence, not to exceed five years. Missed contributions must be made through direct payroll deductions.

Employers and members are encouraged to contact their Regional Counselor for information on calls to active military service.

If you have questions about USERRA you may contact:

USERRA – Federal Register 20 CFR Part 1002

Juneau (907) 465-5881

DOL.gov/vets

ESGR – Employer Support of the Guard and Reserves is a Department of Defense agency established to gain and maintain active support from all public and private employers.

Toll-free (800) 336-4590

ESGR.mil

Service Accrual

A year of service is the equivalent of 52 weeks of permanent full-time employment, which may consist of a combination of permanent full-time or permanent part-time membership service.

Members earn a full year of membership service if they work full-time for at least 172 days during the school year (July 1 – June 30). This service accrual is used for determining eligibility for the medical and HRA coverage at retirement.

Members who perform work on a part-time basis of half time or more are credited proportionally for that service.

Simultaneous TRS and PERS Credit

Members working in both the PERS DCR Plan and the TRS DCR Plan at the same time may receive partial credit under both systems. To be eligible, they must be employed at least half-time in both systems concurrently and making the required contributions.

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

Vesting

The DCR member is immediately and fully vested in their own contributions and related earnings beginning with their first contribution. They become vested in the employer contributions based on years of service in the TRS.

- After 2 full years of service - 25% vested
- After 3 full years of service - 50% vested
- After 4 full years of service - 75% vested
- After 5 full years of service - 100% vested

Effects of LWOP and Reporting Process

Sabbatical leave, inactive and active periods of leave of absence without pay (LWOP) and continuous periods of LWOP for members should be reported to the TRS with each payroll processing.

Workers Compensation Procedures

If you have a member on a period of Workers Compensation (WKC) leave without pay (LWOP), the LWOP time should be reported through the payroll process.

The period of workers compensation leave without pay cannot be claimed for credit in the Defined Contribution Plan.

Occupational Disability

A member that is injured and becomes totally and presumably permanently disabled because of a physical or mental condition caused by an injury or hazard that happens while performing their job may be eligible to receive a monthly occupational disability benefit from the TRS.

The cost for providing occupational disability benefits to members is borne by the employer and is included in the employer contribution rates. The employer pays both the employer and member contributions.

If the member has already met the requirements for a normal retirement based on age or years of service, they are not eligible to receive occupational disability benefit. Those on disability benefits convert to a regular retirement benefit once they meet the age or years of service requirements.

Receiving an occupational disability benefit is not automatic. There is an application process, medical certification requirements, and the disability must be approved by the administrator of the plan.

The member must file an application for the occupational disability benefit with the Division within 90 days after termination of their employment. Members can file the disability application while they are still working. The member must apply for disability benefits within 90 days of their termination from employment.

The monthly occupational disability benefit will be equal to 40% of their gross monthly compensation immediately before they terminated employment due to the disability. They continue to earn TRS service credit while they are receiving the occupational disability benefits. **No medical insurance is provided until the member is eligible for a normal retirement.**

The member is immediately vested in the employer contributions once they are appointed to occupational disability regardless of the total years of service. The employer continues to make all required contributions as if the member were still working, including the member's required contributions to the Occupational Death and Disability Trust.

Disability benefits cease when the member becomes eligible for normal retirement with 10 years of service and Medicare eligible age, or at any age with 30 years of service. No medical insurance is available until eligible for normal retirement. The member is not entitled to elect distribution from the individual account while receiving disability benefits.

When eligible for normal retirement the member may elect to receive distribution in the form of a:

- Lump-sum payment of the entire balance in the account;
- Periodic lump-sum payment, which is a payment of a portion of the balance in the account, not more than twice each year;
- Period certain annuity payment, equal monthly payments for 60, 120 or 180 months. If the member dies before receiving the full monthly payments, the beneficiary will receive the balance of the benefit payments;
- Life annuity with a period certain payment of 120 or 180 monthly payments for the member's lifetime. If the member dies before receiving 120 or 180 payments have been made, the beneficiary will receive the balance of the 120 or 180 payments;
- Single life annuity payment paid monthly for the member's lifetime; or
- Joint and survivor annuity payment paid monthly at 50% or 100% for the member's lifetime. After the member's death, the survivor will receive 50% or 100% of the monthly amount the member was receiving.

Occupational Death

If a member dies due to an occupational reason, the survivor will receive a monthly benefit of 40% of the member's salary at the time of death. Survivors include spouse or qualified same-sex partner, and dependent children. This benefit converts to a normal retirement when the member would have reached normal retirement eligibility.

The employer continues to make the participant and employer contributions to the Occupational Death and Disability Trust for the survivor, and the Health Reimbursement Arrangement (HRA) account until the member would have reached normal retirement eligibility.

When the member would have converted to normal retirement, the survivor has access to the member account balance and the contributions paid to the Occupational Disability and Death Trust account on their behalf. The survivor elects when and how to take the distributions under several payment options.

No medical insurance is provided until the member would have been eligible for a normal retirement.

Non-Occupational Death

When a member dies from non-occupational causes before retiring, the spouse or qualified same-sex partner, or other eligible beneficiary, is entitled to the member's contributions and the vested portion of the employer contributions plus investment earnings.

Divorce or Dissolution

Retirement accounts are marital assets and if there is a divorce or dissolution during any period of a member's TRS employment, the member is required to submit court certified copies of the divorce or dissolution documents and the property settlement to the Division. These documents will be placed in their permanent record with the Division.

If the documents stipulate or contain an order by the judge entitling the former spouse to a portion of an account, a Qualified Domestic Relations Order (QDRO) must also be submitted.

If the documents indicate there was an agreement about the Division of retirement benefits, but no separate agreement is included in the documents, the member must provide a court certified copy of the separate agreement or the magistrate or judge's notes from the court hearing.

If the documents are silent on the retirement plans, the account will be considered free from attachment.

Terminations

It is the employer's responsibility to report terminations of employment timely to the TRS. The termination action should be reported as soon as possible after the member's last day of work.

Distribution Elections

When a member terminates employment, they elect when and how to take distribution on their DCR account. There are various distribution options available which include lump-sum payments, annuities, and rollovers to other qualified pre-tax plans.

The refundable amount to a terminated member includes:

- Member's mandatory contributions;
- Vested portion of employer contributions
- Investment gains and losses

Members must be terminated from employment for at least 60 days before distribution can occur. They must complete and submit the *Great-West Retirement Services Distribution/Direct Rollover 401(a) Plan* form (*Separation from Employment Withdrawal Request 98214-05* form) to commence distribution.

TRS Defined Contribution Refund Election Form

DCprovider.com/PDF/alaska/98214-05/98214-05_Distribution.pdf

Terminated members who are married may not receive a refund of their member contribution account (if balance is greater than \$5,000) unless their spouse gives written consent. Terminated members who are divorced may not receive a refund of their member 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 member's contribution account as a lump-sum pay out.

All accrued service in the TRS remains in the account and should the member return to work for a TRS employer in the future, the service will be reinstated.

Retirement

Normal retirement is the age set for Medicare eligibility at the time the member retires. A retired member in the DCR plan is a person who has elected to receive medical benefits.

Effects of TRS on Social Security Benefits

TRS employers do not participate in Social Security.

A TRS pension benefit may reduce the amount of benefits that a member is entitled to under Social Security. If the member has at least 30 years of “substantial” earnings during social security covered employment, there will be no reduction to their Social Security benefits.

For members who did not pay Social Security taxes while working for the State of Alaska, University of Alaska or school district, there are two laws that may reduce their Social Security benefits. One of them affects the way their Social Security retirement benefit is calculated and is called the Windfall Elimination Provision. The second affects Social Security benefits they may be eligible to receive as a spouse or widow(er), and is called the Governmental Pension Offset.

For information on these provisions, members and employers are encouraged to contact their local Social Security office, or call Social Security toll-free at (800) 772-1213, or visit the Social Security Web site at SSA.gov.

Retired Member Medical Benefits

DCR members may have access to a retiree medical plan when they retire. In order to access the retired member's medical benefits plan the member must:

- Retire directly from the plan and;
- Have been active at least 12 months prior to separation, and;
- Have at least 30 years of service as a teacher or “all other” member; or
- Have at least 25 years as a peace officer or firefighter; or
- Have at least 10 years of service and be eligible for Medicare.

If the DCR retired member has not yet reached Medicare eligible age, they will pay the full premium for the medical benefits plan if they want the coverage. Once the retired member reaches Medicare age eligibility, they will pay a percentage of the monthly premium based on years of service, as follows:

- 10 percent with 30 or more years of service
- 15 percent with 25 to 29 years of service
- 20 percent with 20 to 24 years of service
- 25 percent with 15 to 19 years of service
- 30 percent with 10 to 14 years of service

The DCR retired member medical benefits plan is currently being developed. The plan will basically include payment of covered expenses at 80% from the plan with a 20% payment from the member. The plan is supplemental to Medicare. Once the plan has been finalized, the plan documents will be available to employers and members online at our Web site.

Health Reimbursement Arrangement

The employer is responsible for making contributions to the Health Reimbursement Arrangement (HRA) account. The contribution amount is based on the average salary of all PERS and TRS members in the DCR plans and it is calculated as a flat monthly dollar amount. This amount is deposited into a separate account for each member of the TRS while they are employed in the TRS.

The balance in the HRA account consists of the employer contributions and any interest that has accrued.

DCR retired members will have access to this account when they meet one of the following requirements:

- 30 years of service as a teacher or all-other employee; or
- 25 years of service as a peace officer or firefighter; or
- at least 10 years of service and are eligible for Medicare.

Members do not have to retire directly from the system to access their HRA.

The money in the HRA can be used to pay for medical expenses for the retired member and their eligible dependents, or it can be used to pay premiums for supplemental medical coverage plans.

If the member terminates employment prior to accruing at least 10 years of service, they will not have access to the HRA. Should they come back to employment with a TRS employer, the HRA is reinstated, with interest added for the period of time they were not contributing to the TRS.

Optional Health Plans

DCR retired members may elect to pay a premium for additional health and life coverage as follows:

- Dental-Vision-Audio (DVA) coverage for self, spouse or same-sex partner, and eligible dependent children;
- Long-Term Care (LTC) coverage for self and spouse or same-sex partner; and
- Optional Life Insurance (state employees only.)

Retired members will pay the monthly premiums for as long as they want the coverage.

Members seeking more information regarding the optional health plans, please contact our insurance benefit section or refer to *State of Alaska Retiree Insurance Information Booklet*.

AlaskaCare Retiree Health Booklet

AlaskaCare.gov/retiree/publications/booklets.html

For more information regarding the optional LTC plans, including enrollment restrictions, refer to the *State of Alaska Long-Term Care Booklet*.

State of Alaska Long-Term Care Booklet

AlaskaCare.gov/retiree/publications/booklets.html

Retiree Health Care Premiums

AlaskaCare.gov/retiree/information/premiums.html

Contact your Regional Counselor for more information on the retiree medical coverage, DVA and LTC, and the requirements to continue the Optional Life Insurance.

Medicare

Members should contact Medicare about three months before their 65th birthday to sign up for Medicare. They can sign up with Medicare even if they do not plan to retire at age 65. Members who are still working and covered by an employer sponsored health insurance plan may be able to defer enrollment in Medicare. Employers should encourage their members to contact Medicare to ensure they comply with the current requirements.

There are several parts to Medicare, and there are time limit requirements for enrolling in order to avoid penalty at a later date.

For more information regarding Medicare benefits, employers and members should contact the local Medicare office, or call the toll-free number (800) 772-1213, or visit the Medicare Web site at Medicare.gov.

