

# Experience Your Dreams . . .

## Join a Winning Team—In the Spirit of Alaska!

### An Overview of the PERS/TRS Defined Contribution Retirement Plan

All new employees who first become members on or after July 1, 2006, will be enrolled in either the Public Employees' Retirement System (PERS) Tier IV or Teachers' Retirement System (TRS) Tier III, **Defined Contribution** Retirement (DCR) Plan.

#### CONTRIBUTIONS

The PERS Tier IV and TRS Tier III require both employee and employer contributions. Listed below are the contribution rates for the employer and employees:

- 8 percent mandatory **member** contribution.
- 5 percent **employer** contribution to the **Defined Contribution** Retirement (DCR) Plan for **PERS**.
- 7 percent **employer** contribution to the **Defined Contribution** Retirement (DCR) Plan for **TRS**.
- 1.75 percent **employer** contribution to DCR Plan to fund retiree medical.
- 0.4 percent **employer** contribution to PERS Occupational Death/Disability for peace officers & firefighters (P).
- 0.3 percent **employer** contribution to PERS Occupational Death/Disability for all others (A).  
No funding provided for TRS Occupational Death/Disability.
- 3 percent **employer** contribution to Health Reimbursement Arrangement (HRA) Plan (see summary of HRA).
- Total of **10.05 percent (A) – 10.15 percent (P)** for **PERS** and **11.75 percent** for **TRS** (with Occupational Death/Disability unfunded) **total employer** contributions.
- Employees may make additional contributions to the plan up to the annual federal limits under 26 U.S.C 415.

#### VESTING

Both the member and employer contributions go into the member's account each pay period. Member is immediately vested in the balance of the member contributions. Member is not 100 percent vested in the employer contributions until five years of service is accrued. Listed below are the vesting requirements for the employer contributions:

- At two years of service the member is 25 percent vested in the employer contributions.
- At three years of service the member is 50 percent vested in the employer contributions.
- At four years of service the member is 75 percent vested in the employer contributions.
- At five years of service the member is 100 percent vested in the employer contributions.

#### ROLLOVERS

Members may rollover money from qualified accounts into the PERS and TRS accounts:

- Conduit IRA
- I.R.C. § 403(a)
- I.R.C. § 401(a)
- I.R.C. § 403(b)
- I.R.C. § 457(b)
- No service can be rolled over from other retirement plans.
- Allows member to rollover PERS or TRS DCR Plan balance to other qualified plans.

## INVESTMENT

- Investment options and rules will be determined by the Alaska Retirement Management Board (ARMB).
- Participants will direct the investments of their accounts from the following investment options:
  - Balanced Fund - T.Rowe
  - Long-Term Balanced Fund - T.Rowe
  - Target 2025 Fund - T.Rowe
  - S&P 500 Fund - State Street
  - Govt/Corp Bond Fund - State Street
  - Money Market Fund - T.Rowe
  - International Fund - Brandes
  - Global Balanced Fund - Capital Guardian
  - Core Growth Fund - Citizens
  - Small Capitalization Fund - T.Rowe Price
- Participant may elect to change or transfer all or a portion of the existing account balance among available investment funds not more often than once per day.

## DISTRIBUTION (Member initiated)

Members who have been terminated for at least 60 days may elect to receive payment of their account. There are 10 distribution options to choose from:

- Single Life Annuity
- Period Certain Annuity (5, 10, 15 years)
- Single Life with Period Certain Annuity (10, 15 years)
- Joint and Survivor (50 percent, 100 percent) (may be chosen only by member)
- Lump sum
- Periodic Lump Sum

## BENEFICIARIES

Participant may designate beneficiaries of their accounts. A spouse is automatically the 50 percent beneficiary unless the spouse waives his or her right as the beneficiary.

- Failure to designate a beneficiary results in default payment schedule. First to surviving spouse and if none, then to surviving children in equal parts and if none to surviving parents equally, if none then to the estate.
- Persons claiming entitlement to the member account in the event of the member's death must file a claim with the administrator. Any claim received after 10 days after the member's death will not entitle the party to receive any benefits already paid by the division.
- Beneficiary shall receive the balance of payments left according to the member's election if payments have commenced.
- Beneficiary may choose any distribution option, except a joint and survivor, if the member dies before payments have commenced.
- Beneficiary must choose a distribution option no later than December 31 of the calendar year in which distribution is required to begin (member age 70 1/2) or that contains the fifth anniversary of the date of the member's death.

## MEDICAL INSURANCE

The PERS Tier IV and TRS Tier III DCR Plan provides for a medical plan for eligible participants.

### Eligibility

- Must retire directly from the plan:
  - A disabled member receiving an occupational disability benefit at the time of conversion to a normal retirement benefit, is considered to have retired directly from the plan. **Medical benefits are not available from the plan until the date the member would have reached normal retirement eligibility;** or
  - A member who died and whose survivors receive occupational death benefits is considered to have retired directly from the plan on the date the normal retirement of the member would have occurred if the member had lived. **Medical benefits are not available from the plan until the date the member would have reached normal retirement eligibility.**
- Must have been an active member at least 12 months immediately before application for medical benefits; and
  - have at least 30 years of service if TRS or PERS “all other.” Peace officer/firefighter must have 25 years of service; **or**
  - be eligible for Medicare at the time of retirement and have a minimum of 10 years of service.
  - An eligible person may elect to defer coverage under the plan until a later date but must make an irrevocable election to participate prior to reaching age 70-1/2.
  - A surviving spouse of a member who had retired or who was eligible for retirement and medical benefits at the time of the member’s death is eligible for coverage and can cover eligible dependents of the member who are also dependent on the surviving spouse.
  - Must apply to the Administrator for medical coverage.

### Effective

The first day of the month following the date of election. Stops upon death or failure to pay premium.

### Benefits

- Access to the retiree major medical plan.
- Cannot be denied coverage except for failure to pay premium.
- Covers member, spouse and dependent children of the member.
- Covers surviving spouse and dependent children of the member if dependent on surviving spouse **only if the member was eligible for benefits.**
- Supplemental to Medicare at Medicare-eligible age.

### Premiums

- Monthly premiums for health insurance can be deducted from the HRA **upon election of the member or surviving spouse.** Once the HRA is exhausted, member or surviving spouse self-pays premiums.
- An otherwise eligible member or **eligible** surviving spouse who is not eligible for Medicare will pay full medical premiums until eligible for Medicare, when the subsidy is available.
- Alternate payees will pay full medical premiums for coverage.
- When eligible for Medicare, the percentage of premium paid by the retiree or surviving spouse is:

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

## PERS & TRS OCCUPATIONAL DISABILITY & DEATH BENEFITS

Members have access to occupational disability and death benefits.

### Disability Benefit

- Must be a total and presumably permanent disability whose cause is directly related to performance of duties of the job or an on the job injury.
- Benefit is 40 percent of salary; earns service while on occupational disability.
- Employer continues to make all required contributions as if the member were working, plus the member's required contributions to the DCR account, without deduction from the member's disability payment.
- Disability benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service; **or**
  - for PERS, at any age with 25 years of service for peace officers and firefighters or with 30 years of service for all others.
  - for TRS, at any age with 30 years of service.
- No medical insurance until eligible for normal retirement.

### Death Benefit

A monthly survivor's pension shall be paid to the surviving spouse or, if there is no surviving spouse, to the dependent children of an employee whose death is likely caused by an injury sustained or hazard undergone while performing the employee's duties.

- Benefit for survivors of peace officers and firefighters is 50 percent of salary.
- Benefit for survivors of all others is 40 percent of salary.
- Employer continues to make all required contributions as if the deceased member were working, plus the member's required contributions to the DCR account, without deduction from the survivor's pension for the remainder of the calendar year in which the member dies.
- Death benefits cease on the date the employee would have reached normal retirement if the employee had lived.

## HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

Employers will contribute to an HRA for employees in the DCR Plan.

- Established for both PERS and TRS members.
- No member contributions allowed.
- Employer will contribute a flat dollar amount per employee based on 3 percent of the employer's annual average employee group compensation (not individual compensation) for PERS and for TRS members.
- A member who terminates covered employment before becoming eligible for retirement and medical benefits loses any right to the HRA account, *except*
- A former member who re-employs in covered employment will have the HRA account restored to the amount at termination plus an adjustment to reflect any cost of living increases sustained from the date of termination to the date of reemployment based on the CPI in the Anchorage area. The member must return to employment by December 31st of the year in which age 65 is reached.
- A former member who re-employs in covered employment will have prior years of service restored toward retiree health coverage eligibility.
- Retiree can use the HRA even if not participating in the State's medical insurance plan.

## Payment from the HRA Account

A terminated member is eligible to apply for reimbursement from the HRA if member meets the eligibility requirements for medical insurance, except the member does not have to retire directly from the plan.

- For members who retire directly from the plan, monthly premiums for medical insurance may be deducted from the HRA.
- Members must apply to the Administrator for reimbursement for medical care expenses as defined by U.S.C. 213(d). Expense can be reimbursed for the member, the member's spouse or the member's dependent children.
- Persons eligible to file for reimbursement are the member, the member's surviving spouse, or the member's dependent child if the eligible member and surviving spouse have both died.
- If all eligible persons die before the account is exhausted, the remaining balance reverts to the fund.
- Contributions to the HRA are exempt from city, state and federal tax.
- Rights to receive benefits under the HRA are not subject to attachment, garnishment or levy but may be assigned by a QDRO or to a Medicaid-Qualifying trust.