



RETIREMENT RESOURCES GUIDE

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PLANNING FOR THE FUTURE

Understanding your retirement system and planning for the future are critical to ensuring you have a secure income in retirement.

Whether you're a teacher, school counselor, nutrition services employee, special education para educator, or other public school employee, you are enrolled in a retirement plan through the State of Alaska. Your job classification will determine whether you participate in the Teacher Retirement System (TRS) or the Public Employee Retirement System (PERS). For each TRS and PERS there are different tiers, or plans, which determine what your retirement benefits will be. Your tier status is determined solely by your hire date.

Teachers Retirement System

- If you were hired between 7/1/1955 and 6/30/1990 you are a TRS Tier I employee
- If you were hired between 6/30/1990 and 6/30/2006 you are a TRS Tier II employee
- If you were hired after 6/30/2006 you are a TRS Tier III employee*

Public Employee Retirement System

- If you were hired between 1/1/1961 and 6/30/1986 you are a PERS Tier I employee
- If you were hired between 6/30/1986 and 6/30/1996 you are a PERS Tier II employee
- If you were hired between 6/30/1996 and 6/30/2006 you are a PERS Tier III employee
- If you were hired after 6/30/2006 you are a PERS Tier IV employee*

*TRS III and PERS IV employees are enrolled in a Defined Contribution (DC) System, meaning the employee and employer both make financial contributions to a 401 (a) investment account. TRS III and PERS IV employees will receive no pension in retirement like those in TRS I&II and PERS I/II&III.

ALASKA RETIREMENT TIERS

PERS and TRS members hired before July 1, 2006 have a pension and access to retiree medical benefits. PERS IV and TRS III members who need to save enough money to have a retirement that includes health care costs. Your association recommends that you take a close look at your retirement system, talk to a financial advisor, and make a plan that works for you. Educators have found that in some cases being prepared for retirement could mean saving anywhere from an additional 10 to 25% of their income on top of their existing contributions. Don't forget that dollars saved earlier in your career can have the most upside potential in the market and potential for exponential growth over your career.

	PENSION PLAN	SOCIAL SECURITY	RETIREE HEALTHCARE	SUPPLEMENTAL SAVINGS PLAN
TRS I/II	YES	NO	ACCESS TO RETIREE HEALTHCARE	DEPENDS ON DISTRICT
TRS III	NO	NO	HRA AFTER 10 YRS MEDICARE SUPPLEMENT AFTER 30	DEPENDS ON DISTRICT
PERS I/II/III	YES	DEPENDS ON DISTRICT	ACCESS TO RETIREE HEALTHCARE	DEPENDS ON DISTRICT
PERS IV	NO	DEPENDS ON DISTRICT	HRA AFTER 10 YRS MEDICARE SUPPLEMENT AFTER 30	DEPENDS ON DISTRICT

The State of Alaska works with the contractor Empower to offer PERS and TRS members professional retirement advice. You can make an appointment to meet with an Empower advisor to learn more about your retirement strategy and investment options. The analysis of an independent financial professional in addition to Empower's advice can also be helpful. It is also recommended that you take time to understand how your funds are being managed and what fees those investments are subject to. There are low costs options available that you may not be enrolled in.

In addition to assessing your own retirement security, it is important to understand the current retirement system and pass meaningful legislation to reform these programs. The most recent tier, TRS III/PERS IV, is known as the "**death tier**" by educators, because without additional savings you may have to work until death or risk running out of your retirement savings.

SOCIAL SECURITY AND ALASKA EDUCATORS

If you are a member of the Teachers Retirement System (TRS), you are not participating in Social Security (SS) during your employment as an Alaska public school employee. If you are a member of the Public Employees Retirement System (PERS), you may be participating in SS. Some PERS employees participate in the State of Alaska Supplemental Annuity Plan (SBS-AP). Some PERS employees are neither SBS or SS participants. These members should be especially cognizant of their need for additional retirement savings.

If you are PERS IV/TRS III and do not have Social Security, you run a risk of running out of personal savings in retirement. Careful planning and additional savings make a more secure retirement possible. The most important thing you can do is talk to a financial planner to fully understand your unique situation regardless of your tier.

Brief history of Social Security in Alaska

In 1935 when Social Security (SS) was established, the Federal Government did not impose mandatory SS participation on state and local government employees. In 1951, the Social Security Administration (SSA) created Section 218 of the Social Security Act - commonly known as Voluntary Social Security. This made Social Security participation voluntary for state and local governments. During this process, the state of Alaska created a "Section 218 Master Agreement" with the federal government. At this time, the "Territorial TRS" system was excluded from voluntary Social Security coverage. In 1955, the SSA said that members of excluded systems (TRS) could now vote to elect SS coverage. In recent history, no TRS members have held a vote to return to SS.

SOCIAL SECURITY AND ALASKA EDUCATORS, CONTINUED

Can Alaska TRS members return to Social Security?

Political subdivisions of the state, school districts, or municipal governments, can join Social Security with a modification to the state of Alaska "Section 218 Master Agreement". A local school board could pass a resolution to have SSA conduct an election to allow TRS employees to choose whether or not they return to Social Security. In a "divided vote" some TRS members could rejoin SS, while others would have the option to decline participation. Employees and employers would each contribute 6.24% of their income to Social Security.

What is the GPO-WEP and why should I care?

The Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) are federal provisions that reduce or modify Social Security benefits to public sector employees. By joining PERS or TRS you could be subjecting future SS benefits you or your spouse may receive, to a penalty. If you work 30 years in SS you can fully avoid GPO and WEP, employees who may end up with 10-25 years in Social Security credit should look carefully to understand the financial impacts of that decision. The maximum monthly WEP penalty for 2019 was \$463. (10-20 years in SS could be subject to this penalty. The penalty is reduced by 10% from years 20-30 in SS until fully avoided after 30 years in SS)

Visit www.ssa.gov for Social Security to create an account and determine your estimated benefits or call 1-800-772-1213

SUPPLEMENT YOUR SAVINGS

Now that you know more about PERS IV and TRS III, Social Security and GPO-WEP, let's look at some resources to improve your retirement security. Depending on your current financial situation and unknown future health care costs, you may need to supplement your retirement savings. Consulting an independent financial advisor to help you assess your plan and where you want to be in retirement can give you a clearer picture about what a secure retirement looks like, and what it will take to get there.

It is very likely that your school district, or a vendor that your school district works with offers a supplemental savings plan of some sort: A 403(b), a 457 plan, or a ROTH IRA. Some local associations have bargained matching contributions from school districts to supplement employee contributions to these supplemental plans.

457 - Deferred Compensation Plan

The Alaska Deferred Compensation plan is an additional retirement savings plan to help Alaska public employees complement their DC retirement for a more sound retirement income.

It is likely that your school district is not a part of the State of Alaska Deferred Compensation Plan. There are numerous benefits that your district and association are encouraged to explore. Local advisors are available and bulk buying power allows you to get low cost investment options. Contact your NEA-Alaska UniServ Director for more details on how a district can offer their employees this low fee savings option.

403(b)

A 403(b) is very much like a 401(k) retirement savings account, but for public employees. The contribution limits for a 403(b) was \$19,500 in 2020. Employers can also contribute to 403(b) accounts. Check your contract and with your local association to learn more about what is available in your district.

Traditional and Roth IRAs

Roth IRAs are funded with after tax dollars to be withdrawn tax free in the future. Traditional IRAs deposits are generally made with pretax dollars; you usually get a tax deduction on your contribution and pay income tax when you withdraw the money from the account during retirement.

Nearly all TRS III employees should be saving an additional portion of their income for retirement. Ask your financial advisor what amount is right for you.

HEALTH CARE IN RETIREMENT

Employees in PERS I, II, and III and TRS I and II have access to retiree medical.

Employees in PERS and TRS Tier I receive medical coverage provided at no charge at the time of retirement. Dental-Vision-Audio (DVA) and Long-Term Care (LTC) are optional and if elected, premiums are deducted from your monthly benefit check.

Employees in PERS and TRS Tier II receive medical coverage provided at no charge at age 60, or on your retirement date if you are already age 60 or have at least 30 years of PERS time or 25 years of Police/Fire or TRS service. Coverage may be purchased if you retire before you are eligible. Dental-Vision-Audio (DVA) and Long-Term Care (LTC) are optional and if elected, premiums are deducted from your monthly benefit check.

PERS Tier III employees receive the same health care benefits as Tier II. However, PERS Tier III employees must accrue a minimum of 10 years of credited service to have system-paid coverage at age 60. Employees with less than 10 years must pay the full monthly premium for as long as they wish to continue medical insurance.

For educators in PERS IV and TRS III the health care situation is very different. To qualify, you must work 30 years in TRS and retire directly from TRS employment. In general, DC retiree medical coverage is supplemental to Medicare coverage. PERS IV and TRS III employees have 3% of the annual average employee compensation deposited into a Health Reimbursement Account for use in retirement. An HRA is a separate account that can be used in retirement to reimburse all or a portion of your out-of-pocket qualified medical expenses. Reimbursement includes health care insurance premiums not paid by your plan. You must qualify for an HRA by retiring directly from the PERS/TRS system and having enough years of service.

The design of the PERS IV / TRS III health plan is a coinsurance major medical and prescription drug plan that maintains, over time, coinsurance levels at approximately 80 percent paid by the plan and 20 percent paid by the participant. However, TRS III / PERS IV members should be aware that these retiree health benefits may be challenging to qualify for (you have to retire directly from TRS/PERS employment) and they do not seem to be designed to provide comprehensive health insurance coverage.

CONTACT INFORMATION

NEA MEMBER BENEFITS is a retirement savings resource. You can also compare your district supplemental savings options with what is available to you as an NEA member. You can choose 403(b) tax deferred investment accounts or traditional IRA or Roth IRA accounts in addition to CDs, and supplemental insurance policies to protect you and your family. Visit <https://www.neamb.com/>

NEA-Alaska Offices may be able to help point you in the direction you need. Contact your NEA-Alaska UniServ Director for more information.

The NEA-AK SAVING OUR ALASKA RETIREMENT (SOAR) Committee is a group of your colleagues committed to education and fixing the broken retirement system. Sign up here for monthly updates and to learn more about their efforts to improve Alaska's broken retirement system. <<Insert bitly link here>>

Alaska Division of Retirement and Benefits

doa.alaska.gov/drb/ Telephone: (907) 465-4460 • Toll-Free: (800) 821-2251

Empower Retirement Resources

<https://akdrb.empower-retirement.com/participant/#/login>

Your District Human Resources Department

Check in with your district human resources office for more information about your benefits and supplemental savings opportunities.

Your Local Association

Check with your Building Representative or Local President to see what your local association is working on related to retirement security. In recent years, local associations have been educating members and the public about PERS IV/ TRS III in addition to bargaining additional contract language and benefits related to retirement security.