



UA RETIREMENT

YOUR DECISION GUIDE TO RETIREMENT PROGRAM CHOICE

For Faculty and Officers/Senior Administrators of the
University of Alaska



UNIVERSITY
of ALASKA
Many Traditions One Alaska

Important!

As a newly hired faculty member, officer or senior administrator at the University of Alaska, you must choose to enroll in one of the retirement programs described in this guide within 30 days of the date you are officially notified of your eligibility. Once you make a choice, you cannot switch programs. If you elect the University of Alaska’s Optional Retirement Plan (ORP), you will waive participation in the Teachers’ Retirement System (TRS) or the Public Employees’ Retirement System (PERS) for as long as you are employed by the University of Alaska in a position that is eligible for the ORP. If you do not return an enrollment form within 30 days, you will automatically be enrolled in the appropriate state program (TRS or PERS).

Please read this entire guide carefully before making this important decision and return your enrollment form to your campus Human Resources office before your deadline.

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This brochure provides a general summary of the University of Alaska Retirement Program. This summary is not intended to cover every detail. Full details about the plan are contained in the official plan document, which will govern in the event of a discrepancy between this summary and the plan document. UA reserves the right to amend, alter, or terminate the Retirement Program at any time. Participation in the plan is not a guarantee of continued employment with the University of Alaska. Copies of the plan document can be obtained on the Statewide Benefits Web site at www.alaska.edu/benefits.

HOW TO USE THIS GUIDE

This guide has been developed specifically to help new faculty members, officers and senior administrators of the University of Alaska make a decision about whether to participate in the University's retirement program (ORP Tier 3) or the State of Alaska TRS Tier III or PERS Tier IV plan. The guide includes a description of the ORP Tier 3 along with an *overview* of key features of TRS Tier III and PERS Tier IV, for comparison purposes. However, since the University is not the official plan sponsor of the TRS or PERS plan, the information provided here about the TRS Tier III and PERS Tier IV plans should not be regarded as complete or authoritative. Before you enroll you should visit the TRS or PERS Web site at doa.alaska.gov/drb and/or call the Alaska Division of Retirement and Benefits at (800) 821-2251 for important information and details about the TRS or PERS plan.

Regular and term-funded exempt and non-exempt staff first hired on or after July 1, 2015 are not eligible for the ORP. These employees are enrolled in the State of Alaska PERS program.

IF YOU PARTICIPATE IN A DIFFERENT STATE OF ALASKA PLAN

This guide compares the key features of the University of Alaska retirement program with the State of Alaska's TRS Tier III and PERS Tier IV plans that became effective on July 1, 2006. If you are an eligible participant in an earlier, different State of Alaska retirement plan (for example, TRS Tier I or II or PERS Tier I, II or III), your choice is between the University's retirement program and that earlier State of Alaska Plan. In that case, this guide will not provide details you need about the earlier PERS or TRS plan that applies to you. You should visit the PERS and TRS Web site at doa.alaska.gov/drb and/or call the State of Alaska Division of Retirement and Benefits at (800) 821-2251 for important information and details about the applicable state plan, before you enroll.

Participants cannot contribute to a previous TRS plan if they are no longer in a faculty or academic position. Similarly, participants cannot contribute to a previous PERS plan if they are now in a faculty or academic position.

If you have questions about your eligible plans or your choice, contact your local human resource representative (see the back cover for contact information).

INTRODUCTION

The University of Alaska knows the importance of building a financially secure retirement. The more wisely you plan and prepare during your employment years, the more choices you will have when retirement finally comes — whether your dream is traveling abroad, putting your grandkids through college, or spending more time in your garden.

You have an important choice to make regarding your future retirement benefits from the University of Alaska. You have a one-time opportunity to select between the following retirement programs:

University of Alaska Retirement Program	State of Alaska Teachers' Retirement System (TRS) Tier III	State of Alaska Public Employees' Retirement System (PERS) Tier IV
<ul style="list-style-type: none"> Optional Retirement Plan Tier 3 (ORP 3) — A retirement plan account with an employer contribution of 12% of your covered pay and your mandatory contribution of 8% of covered pay Four fund sponsors to choose from to manage your retirement account Fully vested in employer contributions after three calendar years of employment 	<ul style="list-style-type: none"> A retirement plan account with an employer contribution of 7% of your covered pay and your mandatory contribution of 8% of covered pay A health reimbursement account with an employer contribution equal to 3% of the average pay of all covered employees in PERS and TRS Gradual vesting in employer contribution over five years Access to a state-sponsored retiree medical plan if you meet age and service requirements 	<ul style="list-style-type: none"> A retirement plan account with an employer contribution of 5% of your covered pay and your mandatory contribution of 8% of your covered pay A health reimbursement account with an employer contribution equal to 3% of the average pay of all covered employees in PERS and TRS Gradual vesting in employer contribution over five years Access to a state-sponsored retiree medical plan if you meet the age and service requirements
<ul style="list-style-type: none"> University of Alaska Pension Plan — A second retirement plan account with an employer contribution of 7.65% of your covered pay up to \$42,000; fully vested after three calendar years of employment. 		

Important!
You must choose one of these retirement programs within 30 days of the date you are notified of eligibility. Once you make a choice, you cannot switch programs. If you do not return an enrollment form, you will automatically be enrolled in the State TRS or PERS program as appropriate.

The above are just the highlights. Details are covered later. Please read the entire guide before making your choice. Please note, the 12% ORP employer contribution will be offset by any employer contribution to a retiree health reimbursement account, if and when the University elects to adopt such a program.

Each of these programs can provide solid retirement income based on your University of Alaska employment, yet each offers a uniquely different package of features that will be more or less attractive to you depending on your age and priorities.

This guide is intended to help you evaluate the key features of each program so you can make an informed decision about which choice is best for you.

You must act now — your one-time choice period is limited!

Now is your **one-time, irrevocable** opportunity to make this important decision. Your choice of retirement program is a significant decision directly affecting your financial future, and possibly the financial status of your dependents or survivors in the event of your disability or death. You may wish to consider your decision with a financial advisor, and if you are married, with your spouse.

Please read this guide carefully, and keep it for future reference with your other UA benefit information.

Here are the critical details you need to know about the limited choice period:

- To participate in the University's program, you must make your election within the time limit set by the State of Alaska — which is 30 days from the date of notice of eligibility
- If you do not make an election within the 30-day election period, you will be enrolled in the appropriate State TRS or PERS program automatically
- Your decision between the University program and the State TRS or PERS program is irrevocable — you will not be able to change your decision once the 30-day deadline is past.
- **If you elect the University of Alaska's Optional Retirement Program (ORP), you will waive participation in the TRS or the PERS for as long as you are employed by the University of Alaska in a position that is eligible for the ORP.**

OVERVIEW OF YOUR RETIREMENT CHOICE

The University and the State retirement programs each offer a *defined contribution* type of retirement plan as its centerpiece. You are responsible for how the money is invested by choosing among a variety of investment funds. The investment choices you make will directly affect the amount of your retirement income.

However, in other ways the programs are very different. The University of Alaska program offers a benefit that is made up of a defined contribution plan into which the University's and your contributions are invested. It does *not* include a health care program at this time (although the University is *considering* the possibility of adopting a health care reimbursement account in the future; see the following table for more information).

The State TRS and PERS programs offer a defined contribution retirement plan with a smaller employer contribution rate, but they also include two health program features — employer contributions toward a health care reimbursement account, and a subsidized retiree medical benefit plan. Both the University and State programs have vesting requirements which must be met in order to qualify for employer or state-funded benefits.

In evaluating your choice, you will need to decide which **combination** of retirement benefits and allocation of employer contributions you prefer. Would you rather have a larger percentage of money going into retirement income plans, as with the University program? Or would you prefer the State programs, which put lesser contributions into the retirement income plan but also provide certain retiree medical benefits if you meet the eligibility requirements?

This decision guide provides the information, tools, and resources to help you make the best decision for you. Before you make your decision, however, you should also obtain information about the TRS Tier III or PERS Tier IV program from the State of Alaska at www.state.ak.us/drb and/or call the State of Alaska Division of Retirement and Benefits at (800) 821-2251.

In a defined contribution plan, your money is put into an account that can potentially grow in several ways — from contributions made by the University, your contributions, and any investment earnings.

Retirement Program Comparison

	University of Alaska Retirement Program	State of Alaska TRS Tier III & PERS Tier IV
What it is and what the University contributes	<ul style="list-style-type: none"> Optional Retirement Plan Tier 3 (ORP 3) defined contribution plan account with UA contributions of 12% of your covered pay 	<ul style="list-style-type: none"> TRS or PERS defined contribution plan account with a UA contribution of 7% for TRS or 5% for PERS of your covered pay HRA funded by a UA flat dollar contribution amounting to 3% of the average pay level of eligible employees as a whole Retiree health program features funded by the University; you also pay premiums based on your age and years of service when you start receiving benefits
What you must contribute	<ul style="list-style-type: none"> ORP 3: 8% mandatory contribution to your own account 	<ul style="list-style-type: none"> TRS or PERS retirement plan account: 8% mandatory contribution to your own account
Vesting	<p>ORP 3 and Pension Plan:</p> <ul style="list-style-type: none"> Your contributions are always 100% vested UA contributions are 100% vested after 3 years of service as follows: <ul style="list-style-type: none"> 0% up to 3 years of service 100% after 3 years of service 	<p>TRS or PERS retirement plan account:</p> <ul style="list-style-type: none"> Your contributions are always 100% vested UA contributions vest gradually over 5 years of service as follows: <ul style="list-style-type: none"> 25% after 2 years of service 50% after 3 years of service 75% after 4 years of service 100% after 5 years of service <p>HRA: Contact the Division of Retirement for the vesting schedule and retirement eligibility requirements for reimbursements from the HRA.</p>
Retiree medical benefits	None.	You and your eligible family members have access to retiree medical health plan coverage when you reach Medicare-eligible age (currently 65) with 10 years of service or at any age with 30 years of service. You must retire directly from a TRS or PERS position. Before becoming Medicare eligible, you pay the full premium. Once eligible for Medicare, you pay a percentage of the premium based on years of service.
UA Pension Plan	A supplemental defined contribution account with UA (employer) contributions of 7.65% of the first \$42,000 of your yearly covered pay (up to an annual maximum of \$3,213). Fully vested after three calendar years of employment (not academic years). You do not contribute to this account, but you direct the investment of the funds with any of the same four fund sponsors used for the ORP.	
403(b) Tax-Deferred Annuity or TDA	Regardless of whether you choose the UA program or TRS or PERS, as a UA employee, you may participate in one of several tax-deferred annuity (TDA) plans. With these plans, you contribute money on a tax-deferred basis, with automatic payroll deductions, into your TDA account offered through a number of financial services firms. The University does not make contributions toward the TDAs — all contributions come from you. Participation is voluntary and contribution limits are set annually by the IRS. See page 19 for details.	

Retirement Program Comparison

	University of Alaska Retirement Program	State of Alaska TRS Tier III & PERS Tier IV
Health care Reimbursement Account (HRA) funding	None currently. However, in the future, UA may choose to offer a retiree health funding program. If that occurs, the 12% contribution UA currently makes to ORP 3 would be offset (reduced), dollar-for-dollar, by the amount UA contributes to the health funding account. In that case, UA's contributions would be split so that a portion goes to the ORP 3 account and the rest goes to a retiree medical program (e.g., 9% and 3%).	Your employer will contribute to a health care reimbursement arrangement (HRA), which contains an individual account to help you save for health care expenses during your retirement. The employer contribution each year during your active employment with UA is equal to 3% of the average earnings of employees participating in the TRS or PERS HRA program. When eligible for retiree medical benefits, you can access employer contributions to your retiree HRA to pay retiree medical plan premiums, and other health care expenses, for yourself, and any spouse or dependents, until the account balance is exhausted or until you, and any spouse and dependents, die, whichever occurs first.
Health Savings Account (HSA)	If you enroll in the University's Consumer-Directed Health Plan (CDHP) and are eligible to contribute to the HSA, you can save and use these funds for health care expenses in retirement or after you leave UA. This account is fully funded by the employee, maximum contributions limits subject to change annually.	
Investment options	You decide how to invest all contributions — both your and the University's contributions to your account. Choose from more than 200 investment options that are offered through four financial institutions: Fidelity; TIAA-CREF; Lincoln; and VALIC.	TRS or PERS: You decide how to invest all contributions. Choose from the investment options offered. HRA: A separate fixed interest account is established for each participant in the HRA.
What you get at termination or retirement	<ul style="list-style-type: none"> • ORP 3 account balance (subject to 3-year cliff vesting on UA's contributions) • Pension Plan account balance (subject to 3-year cliff vesting on UA's contributions) 	<ul style="list-style-type: none"> • TRS or PERS account balance (subject to 5-year gradual vesting on UA's contributions) • HRA balance (subject to vesting and qualifying for retirement) • Access to retiree medical plan (subject to qualifying) • Pension Plan account balance (subject to 3-year cliff vesting on UA's contributions)
Benefit payment forms	From all retirement plan accounts: <ul style="list-style-type: none"> • Roll balance over to an IRA or other eligible plan • Various annuity options (monthly benefits, some with survivor options) • Periodic installment payments • Lump sum distribution 	
When you can access your money	ORP 3 and Pension Plan: You may access your vested account balances any time following 45 days after terminating all employment with the university. No loans or hardship withdrawals are permitted.	TRS or PERS retirement plan account: You may access your vested account balances any time following 60 days after termination date. No loans are permitted, nor any withdrawal before employment ends.

A CLOSER LOOK AT...

Before you make your decision, it's important to carefully compare the features and advantages each option offers. In this section, we'll take a closer look at the details of the two programs.

The University of Alaska Retirement Program

If you choose the University program, your retirement benefits will come from two plans:

- Optional Retirement Plan Tier 3 (ORP 3), a defined contribution retirement plan with an employer contribution of **12%** of your covered pay and your mandatory contribution of **8%** of covered pay
- UA Pension Plan, also a defined contribution plan with an employer contribution of **7.65%** of your covered pay up to \$42,000 (annual maximum \$3,213).

Because both of these are account-based plans, they work in much the same way: your money is put into an account, you make the investment decisions, the accounts can grow (or potentially shrink) depending on how well your investments perform, and the account is yours when you end employment or retire (subject to meeting the 3-year cliff vesting requirement that applies to UA's contributions to your account).

How your benefits can grow

The ORP 3 and the Pension Plan accounts grow from contributions made to them plus any earnings on investments. The University makes contributions to both plans, and you may be able to roll amounts from a previous employer's plan, as outlined below.

Employer contributions

Each pay period, the University makes a contribution to the ORP 3 and Pension Plan accounts based on a percentage of your covered pay.

Currently, the University's contributions are:

- ORP 3: **12%** of your covered pay
- Pension Plan: **7.65%** of your covered pay up to \$42,000 (up to an annual maximum of \$3,213).

For example, if your annual covered pay was \$60,000, the University would contribute **\$7,200** (12%) to your ORP 3 account and **\$3,213** (7.65% of the first \$42,000) to your Pension Plan account for the year, for total employer contributions of **\$10,413** (17.35%).

Covered pay is your earned income from the University, including geographic differential, holiday pay, sick leave pay, and annual leave pay before adjustments for other benefits.

It does not include bonuses or cashed-out annual leave.

Keep in mind, these percentages are what the University *currently* contributes. It's possible these amounts may change in the future. For example, if the University at some future time decides to offer a health reimbursement account with employer contributions, the Retirement Program states that the current 12% ORP 3 contribution rate would be reduced dollar-for-dollar for any contributions the University then makes to such a health reimbursement account.

Mandatory employee contributions

In addition, the ORP 3 requires you to make contributions of **8%** of your covered pay to your account. So if your covered pay was \$60,000, for example, your annual mandatory contribution to ORP 3 would be **\$4,800**.

Mandatory contributions are made on a before-tax basis, which means they are deducted from your pay before federal taxes are withheld. As a result, your contributions reduce the amount of your income that is taxed and the amount of income taxes you pay each year. This doesn't mean the money is tax-free. It just means that taxes are postponed until you receive a distribution from the plan when your income is generally lower, and meanwhile your money can grow tax-deferred.

Voluntary employee contributions

You are not allowed to make any employee contributions to the Pension Plan, nor are you allowed to make contributions above (or below) 8% to the ORP 3.

If you would like to put more of your money toward retirement savings, you may participate in one of the tax-deferred annuity (403(b) or TDA) plans available to UA employees. These plans are offered by several independent financial institutions, with automatic payroll deductions, as described on page 19.

Rollover contributions

As a new employee, you may have a retirement plan account with your previous employer. The ORP 3 allows you to roll over accounts from another employer's eligible plan into your ORP 3 account. Contact your regional human resources office for more information.

Adding it all up

If your earnings were \$60,000 a year, the total annual contributions that would be made to your ORP 3 and Pension Plan accounts under the University program are:

ORP Tier 3 at a Glance		
	As a percent of covered pay	In dollars (annually)
University contribution to ORP 3	12%	\$7,200
Your contribution to ORP 3	8%	\$4,800
University contribution to Pension Plan	7.65%	\$3,213
Total	25.35%*	\$15,213

* Note, if you earn more than \$42,000 per year, your total percentage will decrease because Pension is capped at \$42,000 earnings per year.

Vesting

Employer contributions to the ORP 3 and the Pension Plan become fully vested more quickly than they do in the State TRS or PERS programs, as follows:

- **0%** up to **3** years of service
- **100%** after **3** calendar years of service

This vesting schedule is called cliff vesting. You are always 100% vested in your own contributions and any rollover contributions you make to ORP 3. By contrast employer contributions to the State TRS or PERS program vest gradually over five years. Keep in mind, eligibility for the State TRS Tier III or PERS Tier IV health program features (HRA and access to a retiree Medicare supplement) requires at least 10 years of service, sometimes more (the rules are complex — visit www.state.ak.us/drb and/or call the Alaska Division of Retirement and Benefits at (800) 821-2251 to learn more).

Your investment options

The University of Alaska retirement program offers a number of investment options for you to choose from.

It's up to you to decide how your account balances — including your own and the University's contributions — will be invested. You can invest the money in one fund or you can spread your account balance among several different investment funds.

The University retirement program offers over 200 investment options from four different fund sponsors: Fidelity, TIAA, and two insurance companies — Lincoln and VALIC. To learn more about the fund sponsors and the investments each offers, contact the companies directly. The fees charged for the various funds differ widely, both by type of fund and by financial institution. To learn about the fees charged on the funds offered by the four fund sponsors, see the University’s Web site at www.alaska.edu/benefits/retirement-plans. Service representatives for the fund sponsors can be reached at the following toll-free numbers:

University Retirement Program Investment Fund Sponsors	
Contact...	At...
<ul style="list-style-type: none"> Fidelity Investments 	(800) 343-0860 www.mysavingsatwork.com/atwork.htm
<ul style="list-style-type: none"> Lincoln National 	(800) 348-1212 or (800) 478-6393 (in Alaska) <ul style="list-style-type: none"> In Fairbanks (907) 452-6393 www.lfg.com
<ul style="list-style-type: none"> TIAA 	(800) 842-2776 www.tiaa.org/
<ul style="list-style-type: none"> VALIC 	(800) 448-2542 <ul style="list-style-type: none"> In Anchorage (907) 279-8302 In Fairbanks (907) 458-0101 www.valic.com

Your payment options

Both the University and the State programs offer similar payment options when it comes time to receive your account balance, including:

- Rollover to an Individual Retirement Account (IRA) or a subsequent employer’s eligible retirement plan
- Various monthly annuity options, some with survivor options
- Periodic installment payments (for example, 10 annual installments, etc.)
- Single payout in cash, called a lump sum distribution.

If you receive a lump sum that is eligible for rollover but do not roll it over, 20% federal income tax will be withheld automatically by law, and you may owe additional taxes when you file your annual tax return. You may also be subject to an additional 10% early withdrawal penalty if you haven’t reached age 59½.

The State of Alaska TRS Tier III & PERS Tier IV Retirement Programs

For your convenience this section includes an overview of key features of TRS Tier III & PERS Tier IV, to help you make a comparison. However, these plans are not sponsored by the University of Alaska, so this guide should not be considered authoritative or complete.

For complete details, visit the TRS or PERS Web site at doa.alaska.gov/drb or call the State of Alaska Division of Retirement and Benefits at (800) 821-2251.

The State of Alaska Teachers' Retirement System (TRS) Tier III and Public Employees' Retirement System (PERS) Tier IV offer a combination of benefits that includes a defined contribution retirement plan **plus** two health-related programs: a retiree medical plan and an employer-funded individual savings account for retiree health care expenses:

- A retirement plan account with an employer contribution of **5%** (PERS) or **7%** (TRS) of your covered pay, plus your mandatory contribution of **8%** of covered pay
- Access to a state-sponsored retiree medical plan, if you meet the age and service requirements
- A health reimbursement account (HRA) with an employer contribution equal to **3%** of the average annual earnings of all Alaska PERS and TRS members, if you meet the age and service requirements.

In comparison to the University program, the TRS Tier III and PERS Tier IV options provide a lower rate of employer contributions toward the retirement plan account but, unlike the University program, TRS and PERS include two employer-paid programs to support you in meeting your health care needs in retirement. You also get the UA Pension Plan, described earlier.

How Your Benefits Can Grow

It's easy enough to add up all the employer contributions made to the account-based parts of the University and state programs to get a sense of the value of those benefits. However, assigning a dollar value to future medical benefits under the state retiree medical plan is more difficult. For one, the benefit is not defined by an "account" that you are entitled to. Secondly, whether you receive the benefits depends on a number of factors — including whether you stay at the University (or another TRS or PERS employer) long enough to be eligible for medical benefits. Third, the state's retiree health plan requires you pay a monthly premium during your retirement years. For these reasons, it's not really possible to compare the University and the state programs on a dollar-for-dollar basis.

Please read this section carefully to understand the benefits you could receive under the total TRS or PERS retirement program. You should also obtain information from the State of Alaska Division of Retirement and Benefits before you enroll.

Retirement Plan Account

The TRS and PERS retirement plan accounts grow from contributions and any earnings on them. Here are the types of contributions allowed under TRS and PERS:

Employer contributions

Currently, the University's contribution to TRS is **7%** of covered pay and PERS is **5%** of your covered pay. So if your annual covered pay was \$60,000, employer contributions for the year to TRS would be **\$4,200** and PERS would be **\$3,000**.

Mandatory employee contributions

In addition to the University's contributions, you also are required to make contributions of **8%** of your covered pay. For annual covered pay of \$60,000, your annual mandatory contributions under TRS or PERS would be **\$4,800**.

As with the ORP, mandatory contributions are made on a before-tax basis, which means they are deducted from your pay before federal taxes are withheld. As a result, your contributions reduce the amount of your income that is taxed and the amount of income taxes you pay each year. This doesn't mean the money is tax-free. It just means that taxes are postponed until you receive a distribution from the plan when your income is generally lower, and meanwhile your money can grow tax-deferred.

Voluntary employee contributions

Like the University retirement program (ORP), you are not allowed to make pre-tax contributions above (or below) 8% to the TRS/PERS account, nor are you allowed to make additional voluntary after-tax contributions to the TRS/PERS account.

If you would like to put more of your money toward retirement savings, you may participate in one of the tax-deferred annuity (403(b) or TDA) plans available to UA employees. These plans are offered by several independent financial institutions, with automatic payroll deductions, as described on page 19.

Rollover contributions

The TRS and PERS retirement plans accept rollovers from another employer's eligible plan. Contact the State of Alaska Division of Retirement and Benefits at (800) 821-2251 for more information.

Adding it all up

If you earned \$60,000 a year, here's what the total annual contributions to your TRS or PERS retirement plan account would be under the state program:

TRS Retirement Plan Account Total Annual Contributions		
	As a percent of covered pay	In dollars (annually)
University contribution	7%	\$4,200
Your contribution	8%	\$4,800
University contribution to UA Pension	7.65%	\$3,213
Total	20.35%*	\$12,213

PERS Retirement Plan Account Total Annual Contributions		
	As a percent of covered pay	In dollars (annually)
University contribution	5%	\$3,000
Your contribution	8%	\$4,800
University contribution to UA Pension	7.65%	\$3,213
Total	18.35%*	\$11,013

* Note, if you earn more than \$42,000 per year, your total percentage will decrease because Pension is capped at \$42,000 earnings per year.

Remember, this is only part of your benefit from the TRS or PERS. Your benefit also includes retiree health program features.

Vesting

The vesting schedule for employer contributions in the TRS and PERS retirement plan accounts is gradual over five years, as follows:

Employer contributions vest	After
25%	2 years of service
50%	3 years of service
75%	4 years of service
100%	5 years of service

You are always 100% vested in your own employee contributions and any rollover contributions you make to the plan. The Pension Plan is 100% vested after three calendar years as described on page 10. Separate vesting rules apply to your health reimbursement account (HRA). Contact the state for further details on the HRA.

Your investment options

The state TRS and PERS retirement plans currently offer several different investment options in the major asset classes (stock funds, bond funds, fixed income, etc.). For more details about the specific investment options under TRS or PERS, or to inquire about investment education offered by Empower Retirement, contact the State of Alaska Division of Retirement and Benefits at (800) 821-2251 or go to their Web site at www.state.ak.us/drb.

Your payment options

The state TRS and PERS retirement plans offer similar payment options as those listed for the University program on page 11.

Lump-sum payments are eligible to be rolled over into an IRA or other eligible retirement plan. If you receive a lump sum that is eligible for rollover but do not roll it over, 20% federal income tax will be withheld automatically by law, and you may owe additional taxes when you file your annual tax return. You may also be subject to an additional 10% early withdrawal penalty if you haven't reached age 59½.

Retiree medical benefits

The state TRS and PERS programs offer two types of retiree medical benefits. As you think about retirement, it's very important to consider how you will pay for medical coverage when you are no longer working. The cost of medical coverage has been rising steadily, and is a significant cost in retirement.

Of course, under current law, you become eligible for Medicare at age 65, but Medicare does not pay for everything. You're likely to have health care costs in retirement and you need to consider them in your retirement planning. It's wise to educate yourself about the possible costs of retiree health care coverage before you retire — and before you enroll. You can get quotes for individual coverage from an insurance company or the healthcare marketplace at www.healthcare.gov, search for information from retirement and financial sites on the Internet, and/or ask your financial planner to get a rough idea of what your health care costs may be when you retire.

The value of the TRS Tier III and PERS Tier IV retiree medical benefit is hard to quantify because the benefits you might receive are variable depending on a number of factors.

Access to the State of Alaska retiree health benefit plan

Retiree health plan benefits through the state TRS and PERS plans are described on the State of Alaska Division of Retirement and Benefits Web site at www.state.ak.us/drb.

For more information about TRS/PERS retiree medical benefits, visit the State of Alaska Division of Retirement and Benefits Web site at: doa.alaska.gov/drb

It is important to note that you must meet specific eligibility rules in order to qualify for these benefits. In general, you must have at least 10 years of service (often more) and retire directly from a TRS or PERS-eligible job, i.e., be in that job at the time of retirement, in order to qualify.

Contact the State of Alaska Division of Retirement and Benefits at (800) 821-2251 or go to doa.alaska.gov/drb for a summary of the terms of the AlaskaCare defined contribution medical benefit plan.

Health Care Reimbursement Account

The health care reimbursement account (HRA) is a type of retirement account that can be used to help pay for health care when you retire; it is another part of the TRS Tier III and PERS Tier IV benefit. Your HRA grows through contributions made by the University. The University's current contribution is equal to **3%** of the average annual earnings of all Alaska PERS and TRS members. This contribution rate could conceivably change year-to-year.

The balance of your HRA account can be used to pay health insurance premiums and reimburse you for a wide-variety of health care expenses incurred by you, your spouse or your eligible dependents (as defined by IRS rules) after your retirement. Eligibility rules apply. For details, contact the State of Alaska Division of Retirement and Benefits at (800) 821-2251 or go to doa.alaska.gov/drb for a summary.

BUILDING AN INVESTMENT STRATEGY

No matter which retirement program you choose, you need to make investment decisions. If you're not sure where to start, this section can help you understand some investment basics.

The earlier you start saving and investing for retirement, the more time you have to take advantage of the power of **compounding** — the snowball effect of getting earnings on your earnings. Compounding tends to make your investment returns much greater over a longer period of time. The amount of time you have between now and when you plan to retire is critical in developing your investment strategy. If your retirement is...

- **10 or more years ahead**, you can afford to consider investing in more *aggressive*, higher-risk funds. Stock market history shows that riskier types of investments can be more rewarding over the long haul because they have a longer time to ride out stock market swings. While the ups and downs of the stock market are more likely to impact riskier funds, over time the investment may end up providing a higher return than a more conservative investment.
- **5 to 10 years away**, a *moderate* investment strategy may be right for you.
- **Just around the corner**, you'll probably want to be more *conservative* with your investments, because you may not have enough time to recover from short-term market losses.

Here's a look at how \$10,000 can grow over time, depending on how long the money stays invested and the rate of return it earns:



Fees are another factor that affect an investment strategy. Some funds have fees as low as one-tenth of one percent and other funds have fees over two percentage points. Fund fees vary by type of fund, and they vary from one financial institution to another. Other things being equal, a relatively small difference in fund fees over the course of your career can add up to a substantial difference in your account balance when you retire. To learn about the fees that apply to the various funds offered under the ORP 3 and Pension Plan, see the University's retirement benefits Web site. For fees on funds in the PERS program, contact the Division of Retirement at (800) 821-2251, or go to doa.alaska.gov/dr/retirement.

Choosing the right mix of funds

The right mix of funds — also known as an “asset mix” — will depend on your investment style, your savings goals, and when you anticipate needing your savings. The asset mix you choose will set the overall *risk* and the *expected returns* of your investment portfolio. (See “Defining risk vs. return” in the sidebar.)

Defining risk vs. return

A first step before investing is figuring out how much risk you're comfortable with. Every investment has a certain amount of risk. Some may go up and down dramatically over a short period of time. Others may stay more consistent.

Higher risk, “aggressive” investments tend to make more money over long periods of time (and thus, have higher potential return) – but can also lose more if the market drops.

Lower risk “conservative” investments tend to earn less over long periods of time (with lower potential return), but may offer more protection against losing your initial investment.

Experts agree that the overall asset mix in a portfolio has the biggest impact on long-term results. Here are some of the most common asset classes:

- **Stock funds** also called “equity funds,” invest in companies the fund manager believes will meet the objective of the fund. Stock funds have the highest risk and highest potential returns, with international stock investments sometimes considered the most risky.
- **Bond funds** invest in bonds, which are loans to governments or private companies. Risk and potential return are generally moderate.
- **Stable value (cash equivalent) funds:** consist of stable investments such as guaranteed investment contracts that pay a set rate of interest. Risk and potential returns are generally the lowest among the stock or bond funds.
- **Lifecycle funds** are ready-made portfolios made up of funds that are already diversified. You choose the fund that best matches the year you will turn age 65.

To help protect against investment loss, you should diversify your investments, which means to spread your money among investments with different levels of risk and return. While one investment may go down, others may go up. That’s how diversification works.

What is your investment style?

Knowing yourself — and how you prefer to invest — helps direct you to the types of investments that are right for you. To determine your investment style, you need to understand your **tolerance for risk** and the amount of **time** you can commit to investing.

Risk tolerance

All investments involve some risk. It’s up to you to determine how much risk you’re willing to take with your money. There are varying degrees of risk across the investment spectrum. On one end, there are funds with very little risk for the more conservative investor. At the other end, there are funds with a high degree of risk for the more aggressive investor. Of course there are also funds that fall in the middle of the spectrum for the moderate and growth-oriented investor.

Time

Another important factor is time. How much time do you want to spend on investing? How actively involved do you want to be when it comes to managing your money? If you're more of a hands-off investor and don't have a lot of time to watch your investments, you might consider a lifecycle fund. These funds offer ready-made portfolios designed to match the year you turn age 65. You choose the fund and the recordkeeper does the rest of the work. If you're a hands-on investor who likes to manage a portfolio and do your own fund research, you can build your own portfolio and choose from the full spectrum of available funds.

For more investment education help

For more information and retirement planning tools, visit the Web sites listed in the Investment Fund Sponsors chart on page 11 and in Important Contacts on the back cover. For PERS and TRS investment options, see doa.alaska.gov/drb/dcrp.

MORE SAVINGS OPPORTUNITIES WITH A 403(B) PLAN

The University offers you additional ways to save for retirement through the 403(b) or Tax-Deferred Annuity (TDA) Program — regardless of whether you choose the University or the State retirement program. With a TDA, you contribute money through convenient payroll deductions on a tax-deferred basis, and you may invest your money through your choice of several investment companies.

The IRS stipulates the maximum contribution you can make to a voluntary 403(b), referred to as an *elective deferral*. This differs from the contributions to the ORP 3 and PERS or TRS employee contribution accounts, which are *mandatory*.

As you focus on your retirement planning, now is a great time to look at the voluntary opportunities, too. For more information, visit the University of Alaska Web site at www.alaska.edu/benefits/retirement-plans/tax-deferred-annuity.

MAKING YOUR RETIREMENT DECISION — WHAT TO CONSIDER

There are many things you'll want to evaluate before you choose your retirement program options. Of course you will want to consider which program may provide you with the greatest benefit when you retire, as well as which choice provides the combination of benefits that best fits your needs now and in the future. For example, keep in mind how your priorities may change in future decades. Things that are less important to you now, like medical plan coverage, may become more significant to you in later years.

<i>Critical Factors</i>	<i>Things to Consider</i>
How long do you intend to stay at the University?	<ul style="list-style-type: none"> • If you plan to stay less than 3 years, you may want to consider the state's defined contribution plan vesting schedules and how vesting may affect the benefit you earn. If you stay 5 or more years, you would be fully vested in either program. • To be eligible for the State TRS or PERS retiree medical benefit plan, you must have at least 10 years of service and retire directly from the TRS or PERS system. If you don't plan to meet these criteria during your University employment, you should factor that in.
Do you value a large variety of investment options from your defined contribution account?	<ul style="list-style-type: none"> • UA program offers over 200 investment options with four fund sponsors • State TRS and PERS offer fewer options, but still offer diversified investments
How important is the ability to take your retirement plan account benefit as a single lump sum?	<ul style="list-style-type: none"> • All the plans allow you to take a single lump-sum distribution of your entire account balance after termination of employment or retirement, but you should be aware of the tax consequences and possible penalties that may apply, especially if you withdraw your funds before age 59½.
How important are retiree medical benefits to you?	<ul style="list-style-type: none"> • It's difficult to assign a dollar value to future medical benefits, but health insurance is very expensive and costs are climbing fast. You should consider your health and your potential health care needs after retirement, including whether you have access to retiree medical benefits through your spouse or another avenue.
Final Consideration	<ul style="list-style-type: none"> • If you elect the University of Alaska's Optional Retirement Program (ORP), you will waive all future participation in the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS) for as long as you are employed by the University of Alaska in a position that is eligible for the ORP. • By not completing and filing the form within 30 days of notification of eligibility, you will have irrevocably elected to participate in TRS or PERS as appropriate. This is not a matter of administrative policy; it is part of the law establishing the ORP.

WHAT YOU NEED TO DO TO ENROLL

1. Read this guide carefully and look for answers to your questions online or ask your regional human resources office.
2. Discuss your options with your spouse and/or financial advisor.
3. Make your decision and return your signed enrollment form to your regional human resources office **within the 30-day election deadline**. You can obtain the form from your regional human resources office or print one from the University of Alaska benefit Web site at www.alaska.edu/benefits.
4. Select one or more investment funds. If you elect the UA Retirement Program, you will first need to choose from among the four fund sponsors. By contrast, the TRS or PERS program does not require a choice of fund sponsors. Under the UA Retirement Program, you will need to follow the procedures of the fund sponsor you choose when making your investment fund selections and submitting a beneficiary designation form (with some of the fund sponsors this can be done online).

If you do not make specific fund elections, your accounts will automatically be invested in the following default accounts until you select an investment option:

- University of Alaska Retirement Program — a LifeCycle Fund based on your age through Fidelity Investments
- State TRS and PERS Retirement Programs — for current fund information, contact the State of Alaska Division of Retirement and Benefits at (800) 821-2251 or doa.alaska.gov/drb.

WHAT TO DO AFTER ENROLLMENT

Once you enroll, you will receive more information about how to manage your retirement plan account from your fund sponsor (in the case of the UA Retirement Program) or from the State (in the case of TRS or PERS). You will start receiving regular account statements from your fund sponsor. Statements provide important details about your account balance — such as total employer contributions, how your investment funds perform, and your total account value. How often you receive a statement will depend on the fund sponsor, but most provide statements at least quarterly, and provide online access to help manage your accounts.

You should read these statements carefully and each year, rebalance your account to keep your investment mix on track with your chosen investment strategy.

Remember!

Read the instructions carefully on your election form to assure your election is not delayed. If your regional human resources office does not receive your properly completed and signed form by your 30-day election deadline, you will automatically be enrolled in the State TRS or PERS program as appropriate.

Your election is one-time only — you cannot change it later.

IMPORTANT CONTACTS

With questions about...

Contact...

Or visit...

UA Retirement Program – including UA ORP Tier 3, the UA Pension Plan and the Tax-Deferred Annuity Program (TDA)

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| <ul style="list-style-type: none"> • General plan rules and eligibility | <ul style="list-style-type: none"> • UAA Human Resources
(907) 786-4608 • UAF Human Resources
(907) 474-7700 • UAS Human Resources
(907) 796-6263 • Statewide Human Resources
(907) 450-8200 | <p>www.alaska.edu/benefits</p> |
|--|--|---|

State PERS or TRS Retirement Programs

- | | | |
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| <ul style="list-style-type: none"> • General plan rules, eligibility and investment options | <ul style="list-style-type: none"> • State of Alaska Division of Retirement and Benefits
(800) 821-2251 | <p>www.doa.alaska.gov/drb</p> |
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UA Retirement Program Fund Sponsors

- | | | |
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| <ul style="list-style-type: none"> • Plan fund sponsors or investment funds | <ul style="list-style-type: none"> • Fidelity Investments
(800) 343-0860 • Lincoln National
(800) 348-1212 or
(800) 478-6393 (in Alaska)
452-6393 in Fairbanks • TIAA
(800) 842-2776 • VALIC
(800) 448-2542 or
279-8302 in Anchorage
458-0101 in Fairbanks | <p>www.mysavingsatwork.com/atwork.htm</p> <p>www.lfg.com
OR http://lfa-fairbanks.com/page/
for the Alaska office</p> <p>www.tiaa.org</p> <p>www.valic.com</p> |
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| <ul style="list-style-type: none"> • TDA Plan Investment Options... | <p>Visit: www.alaska.edu/benefits/retirement-plans/tax-deferred-annuity/</p> |
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