




## Teachers' Retirement System of Alabama & RSA-1 Deferred Compensation Plan

ALABAMA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS – PAYROLL/PERSONNEL

2016

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### Stay on top of your retirement

<p><b>Retirement Preparation Seminar</b></p> <ul style="list-style-type: none"> <li>• Full-day program</li> <li>• Must be within 5 years of retirement eligibility</li> <li>• Dates posted each January on RSA website and packets mailed to employers.</li> </ul>	<p><b>Early to Mid-Career Seminar</b></p> <ul style="list-style-type: none"> <li>• Half-day program</li> <li>• For members who are starting or in the middle of their careers</li> <li>• Dates posted each January on RSA website and packets mailed to employers.</li> </ul>
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### Always get the correct information

- Call RSA to speak with an TRS, PEEHIP, or RSA-1 counselor.
- Make an appointment at RSA Headquarters in Montgomery.
- Walks-Ins are also welcome.
- Check the TRS Handbook!



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### TRS is a Defined Benefit Plan

- Guaranteed lifetime benefit for retiree
- Benefit level is established by law.
- Monthly retirement benefit is calculated using a formula.
- Retirement benefits are not dependent upon RSA investment returns earned on members' contributions.

Benefits are guaranteed – **COLAs are not!**

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### Tier 1 RSA participation is mandatory

Regular Members  
contribute **7.5%** of  
earnable compensation

Full-time, Certified  
Firefighters,  
Correctional Officers  
& Law Enforcement  
Officers  
contribute **8.5%** of  
earnable compensation

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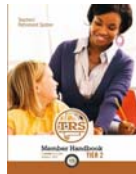
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### Tier 2 ERS Plan

#### **New Hire Retirement Act (2012-377)**

- Effective for employees hired on or after January 1, 2013
- Employees enrolled in the Employees Retirement System (ERS) or the Teachers' Retirement System (TRS) prior to 2013 are deemed Tier 1.




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**Tier 2**

**RSA participation is mandatory**

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<p><b>Regular Members</b> contribute <b>6.0%</b> of earnable compensation</p>	<p><b>Full-time, Certified Firefighters, Correctional Officers &amp; Law Enforcement Officers</b> contribute <b>7.0%</b> of earnable compensation</p>
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**Service Credit**

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<p><b>MEMBERSHIP SERVICE</b></p> <ul style="list-style-type: none"><li>• Service earned as an employee while contributing as a member of the TRS</li></ul>	<p><b>PURCHASABLE SERVICE</b></p> <ul style="list-style-type: none"><li>• Withdrawn Service</li><li>• Military Service</li><li>• Out-of-State Public Service</li></ul>
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**Part-time vs. Temporary Employment**

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<p><b>PART-TIME</b></p> <ul style="list-style-type: none"><li>■ Part-time employees working <u>half-time or more</u> must be enrolled in the TRS.</li><li>■ Service credit is prorated.</li></ul>	<p><b>TEMPORARY</b></p> <ul style="list-style-type: none"><li>■ Temporary employees; e.g., substitutes, do not participate in the TRS.</li><li>■ Should not exceed one year.</li><li>■ If such employment exceeds one year, employee must be enrolled in the TRS at the beginning of the second consecutive year.</li></ul>
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### Compensation Eligible for Retirement - Dual Employment

- ❖ Employment that involves two *different* positions; e.g., teacher and school bus driver.
- ❖ Employment with two or more employers with one position being at least half time.
- ❖ Contributions from ACCESS or Adjunct teaching are eligible as long as the member is currently participating in the TRS.

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### Compensation Eligible for Retirement - Overtime

- Additional compensation for employment involving the same position
- Overtime compensation eligible for retirement cannot exceed:

<b>Tier 1 – 120% of base pay</b>	<b>Tier 2 – 125% of base pay</b>
Example:	Example:
\$50,000/year base pay	\$50,000/year base pay
\$60,000/year with overtime	\$62,500/year with overtime

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### Preretirement Death Benefit



Review the chart in the TRS Member Handbooks.



Make your family aware of this benefit.

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### RSA Disability Retirement

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- Not the same as Social Security Disability
- Must have 10 years of creditable service (vested)
- Must be in service – currently working or on official leave of absence for no more than 1 year
- Must be approved by RSA Medical Board
- Calculated using same formula for service retirement
- Sick leave cannot be converted to service credit.



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### Tier 1 Members Collecting Retirement Benefits

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After <u>25 years</u> of creditable service, regardless of age	<b>OR</b>	At age <u>60</u> with <u>at least 10</u> years of creditable service
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### Tier 2 Members Collecting Retirement Benefits

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- At age 62 with at least 10 years of creditable service.
- At age 56 for full-time, certified Firefighters, Correctional Officers, and Law Enforcement Officers with at least 10 years of creditable service



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### The Retirement Process – Part I

- Form 10 – Application for Retirement:
- Indicates intent to retire (always the first day of month)
- Member’s signature must be witnessed by Notary Public.
- **Requires employer certification**
- Direct Deposit Authorization
- PEEHIP Insurance Authorization
- **Must be received by RSA between 30 – 90 days prior to effective date of retirement.**

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### The Retirement Process – Part II

- Mailed to member after RSA’s receipt of Part I.
- Select monthly retirement benefit option.
- Indicate federal withholding status.
- **Part II must be received before official date of retirement.**
- If Part II has not been received before your date of retirement, **you will be assigned the Maximum Monthly Benefit. This is irrevocable.**

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### Sick Leave Conversion

- Applies only to Tier 1 members
- Convert unused, accrued sick leave to service credit for retirement purposes.
- Attain minimum service requirements for retirement OR add to total service credit if minimum service has already been attained.
- Cannot be paid for sick leave & obtain service credit for it.

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### Tier 1 Retirement Formula

$$\text{Average Final Salary*} \times \text{Years \& Months of Creditable Service} \times \text{Benefit Factor (.020125)} \div 12 = \text{Maximum Monthly Benefit}$$

\*The average of the **highest THREE years** of salary out of the last 10 years the member made contributions.

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### Tier 2 Retirement Formula

$$\text{Average Final Salary*} \times \text{Years \& Months of Creditable Service} \times \text{Benefit Factor (.0165)} \div 12 = \text{Maximum Monthly Benefit}$$

\*The average of the **highest FIVE years** of salary out of the last 10 years the member made contributions.

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### Monthly Retirement Benefit Choices

1. Maximum Monthly Benefit
2. Option I
3. Option II
4. Option III

The retiree receives a lifetime monthly benefit under all choices.

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### Tax Information

- TRS retirement benefits **are not** subject to:
- Alabama State Income Tax – approximately 5.0%
  - FICA (Social Security & Medicare) – 7.65%
  - TRS deduction – 7.5%, 8.5%, 6.0%, OR 7.0%
- TRS retirement benefits **are** subject to:
- Federal Income Tax
  - PEEHIP Retiree Premiums if carried
  - All retirees receive a form 1099-R every January.

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### Cost of Living Adjustments

- **Not** guaranteed in your retirement.
- Do not include Cost of Living Adjustments in your Retirement Financial Plan.

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### Post-Retirement Employment

A TRS retiree may continue to receive full benefits while employed with an ERS or a TRS agency so long as the following conditions are **both** met:

1. Retiree is **not** employed or under contract as permanent, full-time... **Must be employed in a part-time capacity**
2. Retiree's salary cannot exceed the limitation on earnings and the limits are subject to change each year based upon the Consumer Price Index (CPI).
  - For 2016, the limit is \$30,000.00.

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# RSA-1

## a 457(b) Deferred Compensation Plan

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SECURE A BETTER TOMORROW

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### RSA-1 & Saving for Your Retirement

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- Defer a portion of salary to save more for retirement.
- Reduce your tax liability by deferring some of your income.
- Invest your deferred salary and allow it to accumulate earnings on a tax-deferred basis.
- Have more money to enjoy your retirement!

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### Investment Options

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1. **Bond Fund**
  - Majority Corporate & Governmental Bonds
2. **Stock Fund**
  - S&P 500 Index Fund
3. **Short Term Investment Fund (STIF)**
  - Mix of securities, U.S. Treasury bills & notes




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## Investment Options

- Members & beneficiaries can change investment options once every 90 days.
- You can invest your existing account balance differently than your future deferrals.
- Invest among the 3 funds as you see fit.

For example, percentages could be:  
50 / 25 / 25 or 75 / 0 / 25 or 80 / 20 / 0, and so on!

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## No Fees for RSA-1!

- The Retirement Systems of Alabama is a public entity. Unlike other plans, there are no administrative fees, commission fees, transaction fees, etc. with RSA-1.
- All of the money deferred from your salary and all the investment earnings are placed into your account and invested by RSA-1.

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## Contributions Minimums & Maximums

- No minimum contribution. It could be just \$10 per pay period.
- The maximum contributions for 2016 are:
  - \$18,000/ year if under age 50.
  - \$24,000/ year if age 50 or older.
  - \$36,000/ year if you are eligible and participating in "Catch Up."

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### Increase your retirement savings

- Deferrals from your salary do not affect your TRS Defined Benefit Retirement.
- TRS retirement is calculated using your gross salary.
- RSA-1 allows you to take advantage of simple payroll deduction to save more for your next chapter in life!

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### Accessing your RSA-1 account

1. Separation for service either through retirement or termination of employment, OR
2. Attain age 70½, OR
3. Experience an Unforeseeable Emergency as defined by the US Treasury.

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### Distributions

- Lump Sum
- Partial Lump Sum
- Equal Monthly or Annual Payments
- Delay distribution until a future date (no later than April 1<sup>st</sup> of the calendar after the calendar year you reach age 70½)




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## Another benefit of RSA-1

If eligible to purchase permissible service credit, you may use money in your RSA-1 account to purchase that service.

- Withdrawn Service
- Military Service
- Out-of-State Public Service

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## Transfers from other 457(b) plans

- Transfers from other 457(b) plans to RSA-1 are allowable.
- Establish your RSA-1 account prior to the transfer.
- You may invest your transferred monies independently of any previous or future deferrals into RSA-1.

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## RSA-1 & DROP Rollovers

- If you are in Post-DROP, you may elect to rollover your DROP account into RSA-1 upon separation from service.
- Enroll in RSA-1 before separation from service.
- You may invest your DROP monies independently of any previous deferrals into RSA-1.

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## Joining RSA-1 is easy!

- Join at any time - no open enrollment period.
- Change deferral amount at any time in accordance with employer policies.

Enrollment forms are found in the RSA-1 Handbook:

1. Enrollment Form (send to RSA)
2. Beneficiary Designation (send to RSA)
3. Investment Option Election (send to RSA)
4. Authorization-to-Defer (give to payroll)

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## Keeping track of your RSA-1 account

- Monthly returns for the three investment are posted on the RSA website.
- Easy-to-read RSA-1 account statements are mailed quarterly.
- Monthly distributions are transferred to your bank account via direct deposit on the last business day of the month.

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## Be Sure to Pay Yourself First!



Get more information on TRS or RSA-1 by visiting our website at:

[www.rsa-al.gov](http://www.rsa-al.gov)

Phone:

(877) 517-0020 or  
(334) 517-7000

Email:

TRS: [trsinfo@rsa-al.gov](mailto:trsinfo@rsa-al.gov)

RSA-1: [rsa1info@rsa-al.gov](mailto:rsa1info@rsa-al.gov)

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