


TRS & RSA-1  
PARTICIPATION  
AASBO – FEBRUARY 2018



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TRS PLAN PARTICIPATION

- **Mandatory for:**
  - Any person employed in a position eligible for coverage in a non-temporary capacity on at least a half-time basis.
  - Continued participation is required once enrolled, until termination of employment, even if employment decreases to less than half time.

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INELIGIBLE FOR TRS PARTICIPATION

- Active members of the Employees' Retirement System (ERS)
- Persons who receive a retirement benefit from TRS or ERS (post-retirement rules)
- Employees who elected not to participate under the provision of Act-1108, effective Oct. 1, 1975

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### TEMPORARY EMPLOYEES

- Temporary employees employed longer than one year must begin participation in the TRS at the beginning of the second year of employment.
- The employee will be permitted to purchase the first year of temporary employment as Error Service.

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### TIER 1 AND TIER 2 MEMBERS

#### TIER 1

- Any member who had service credit with the TRS or ERS prior to January 1, 2013
- Contribution Rates:
  - 7.5% (Regular Members)
  - 8.5% (Law Enforcement & Firefighters)

#### TIER 2

- Any member who began employment with TRS or ERS on or after January 1, 2013
- Contribution Rates:
  - 6.0% (Regular Members)
  - 7.0% (Law Enforcement & Firefighters)

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### COLLECTING RETIREMENT BENEFITS

#### TIER 1

- After 25 years of creditable service, regardless of age
- OR**
- At age 60 with at least 10 years of creditable service.

#### TIER 2

- At age 62 with at least 10 years of creditable service
- At age 56 with at least 10 years of creditable service for *certified, full-time firefighters, law enforcement and correctional officers*

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### TRS CONTRIBUTIONS ON EARNABLE COMPENSATION

- Members must make TRS contributions on all earnable compensation.
- Earnable compensation is any eligible, regular compensation earned for work performed.
- Contributions should be submitted on all earnable compensation if the member has more than one job.

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### CONTRIBUTION LIMITS

- TIER 1 members cannot make retirement contributions on more than 120% of their base salary.
- TIER 2 members cannot make retirement contributions on more than 125% of their base salary.
- IRS Contribution Limit:
  - If service began on July 1, 1996 or later, the member cannot contribute on more than the yearly maximum of \$270,000 of salary.

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### TAX SHELTERING

- TRS Retirement Contributions are submitted to TRS prior to *federal* tax withholding.
- Reduces member's tax liability while employed
- As a retiree, however, the member will pay *federal* income tax on the monthly TRS Retirement benefit.

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**NO RETIREMENT DEDUCTIONS FROM:**

- Expense allowance payments that are reimbursements for actual expenses
- Lump sum payout for unused vacation / “annual” leave
- Bonuses – if not specified in employment contract
- Comp time payments, unless used for paid leave
- Any part-time work after the member’s retirement date.

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**POST RETIREMENT EMPLOYMENT**

- A TRS or ERS retiree who is employed with a TRS agency must meet the following conditions to continue drawing his/her monthly retirement benefits:
  1. Cannot be employed as full time, permanent
  2. Cannot make more than the earnings limitation:
    - \$31,000 for 2018
    - RSA Disability Retiree – The lesser of: earnings limit (\$31,000 for 2018) **or** difference between the retiree’s average final salary and annual retirement benefit
- Retirees who violate these conditions will have their monthly retirement and health insurance benefits suspended.

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**TRS RETIREE PURSUING FULL TIME EMPLOYMENT WITH TRS AGENCY**

- Retiree must notify TRS immediately.
- The employer must provide written verification of the employment date and benefits will be suspended.
- If the retiree works at least 2 years, he or she may petition the TRS Board of Control for reinstatement of active participation in TRS.

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### ERS RETIREE PURSUING FULL TIME EMPLOYMENT WITH TRS AGENCY

- Monthly ERS retirement benefit will be suspended.
- An ERS Retiree who begins full time employment with a TRS agency must begin participation in TRS.
- The member's ERS account will be transferred to TRS.
- Same in reverse for TRS Retiree working for an ERS Agency.

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### FORMER DROP PARTICIPANTS PURSUING FULL TIME EMPLOYMENT WITH TRS AGENCY

- No waiting period for former DROP participants.
- Former DROP Participants begin retirement contributions immediately if they take up full time employment.

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### RSA-1 A 457(b) DEFERRED COMPENSATION PLAN



SECURE A BETTER TOMORROW

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**RSA-1 & SAVING FOR RETIREMENT**

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- **Voluntarily** defer a portion of salary to save more for retirement.
- Invest deferred salary and allow it to accumulate earnings on a tax-deferred basis.
- Reduces taxable income. Deferrals are made prior to income tax withholding.

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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**

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- Invest among the 3 funds; for example:  
50% Bond - 30% Stock - 20% STIF
- Members & beneficiaries may change investment options once every 90 days.

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### INVESTMENT DECISIONS

Dr. Bronner & the RSA Investment Staff handle the investing for the RSA-1 Plan...



... the same expert investment team who handles our TRS retirement funds!

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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 deferrals and all the investment earnings are placed into the member's 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 2018 are:
  - \$18,500/ year if under age 50.
  - \$24,500/ year if age 50 or older.
  - \$37,000/ year if you are eligible and participating in "Catch Up."

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### INCREASE RETIREMENT SAVINGS

- Deferrals do not affect the monthly TRS Retirement Benefit .
- TRS Monthly Retirement is calculated using gross salary.
- RSA-1 allows the member to take advantage of simple payroll deduction to save more for retirement.

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### ACCESSING RSA-1 ACCOUNT SAVINGS

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 the April 1<sup>st</sup> after the calendar year you reach age 70½)



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### ANOTHER RSA-1 BENEFIT

Purchase permissible service credit by using money from your RSA-1 account!

- 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 RSA-1 account prior to the transfer.
- The member may invest the transferred monies independently of any previous or future 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 RSA-1 ACCOUNT**

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

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**STAY ON TOP OF RETIREMENT!**

**Early to Mid-Career Seminar**

- Half-day program
- For new members and those in the middle of their careers
- Dates posted in January.

**Retirement Preparation Seminar**

- Full-day program
- Must be within 5 years of retirement eligibility
- Dates posted in January.

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**Request to have an RSA Field Representative visit your School System!**

**CONTACT RSA FIELD SERVICES:**

**PHONE: (334) 517-7400**

**E-MAIL: [Field.Services@rsa-al.gov](mailto:Field.Services@rsa-al.gov)**




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