



TEACHERS' RETIREMENT TIER 1 OR TIER 2 WHICH ARE YOU?

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AUBURN



TIER 1 VS TIER 2

- **Tier 1 Plan Member:**

- Any member of the Retirement Systems who had service for which he or she received credit in the Employees' Retirement System or in the Teachers' Retirement System **prior to January 1, 2013.**

- **Tier 2 Plan Member:**

- Any member of the Retirement Systems who first began eligible employment with an Employees' Retirement System or a Teachers' Retirement System participating employer **on or after January 1, 2013.**



TIER 1 PLAN MEMBERS

- **Tier 1 Plan Members are split into two categories**
 - **5A:** Plan Members who began contributions **after July 1, 1996**
 - Cannot contribute over the TRS annual earnings limit set by RSA
 - Currently \$345,000 (adjusted annually)
 - **5B:** Plan Members who began contributions **before July 1, 1996**
 - May contribute over the annual earnings limitation



MANDATORY PARTICIPATION

Participation in the TRS is mandatory if a person is employed in a position eligible for coverage in a non-temporary capacity on at least a one-half time basis earning at least the federal minimum wage. Once enrolled, the member must continue participation until employment is terminated. Active members of the ERS and student employees are not eligible for TRS participation. Temporary employees with a specific termination date not exceeding one year are ineligible, but temporary employees employed longer than one year must begin participation in the TRS at the beginning of the second year of employment.

- **Tier 1 Plan Member:**

- Mandatory contribution is 7.5% of earnable compensation each pay period

- **Tier 2 Plan Member:**

- Mandatory contribution is 6.2% of earnable compensation each pay period



EARNABLE COMPENSATION

Earnable compensation is the basis for determining both your contribution and your benefit at retirement. RSA separates earnable compensation into base pay and overtime pay.

- With the help of RSA, Auburn University has determined that base pay includes regular pay, lead pay, shift differential, additional compensation (also known as "Z" jobs), out-of-class pay, professorships and any salary supplemental.
- Overtime pay includes overtime, overload, additional compensation not related to the current position, and contracted bonuses.
- Awards, scholarly incentive pay, and bonuses that are not contracted are not included in earnable income.
- Earnable compensation is accumulated for the entire retirement plan year (July 1 to June 30). All regular pay is included as earnable compensation, but overtime pay is limited.
 - For **Tier 1** members, only overtime pay which does not exceed 20% of base pay is included.
 - For **Tier 2** members, only overtime pay which does not exceed 25% of base pay is included.



SERVICE RETIREMENT

Service retirement benefits are available to members who cease TRS-covered employment and meet minimum service and age requirements. The monthly retirement benefit is made for life without interruption unless there is a return to full-time employment with an ERS or TRS agency, or to temporary employment in excess of Postretirement limits. A member is eligible to receive retirement benefits under either of the following conditions:

- **Tier 1 Plan Member:**

- Age 60 with at least 10 years of service credit
- Any age after 25 years of service credit

- **Tier 2 Plan Member:**

- Age 62 with at least 10 years of service credit
- Age 56 for certified, full-time firefighter and law enforcement officer



CALCULATION FOR RETIREMENT BENEFIT

▪ **Tier 1 Plan Member:**

- A retirement factor of 2.0125% for each year of service is applied to the average of the three highest years of earnable compensation during the last 10 years of employment.
- For example, 20 years of service would generate a pension equal to 40.25% of the highest average pay.

▪ **Tier 2 Plan Member:**

- A retirement factor of 1.65% for each year of service is applied to the average of the five highest years of earnable compensation during the last 10 years of employment.
- There is also a maximum benefit of 80% of the highest average.
- For example, 20 years of service under this formula would generate a pension equal to 33% of the highest average pay.
- There is now an early retirement option for Tier 2 members after accumulating 30 years of service credit with a 2% reduction for each year prior to age 62.



REQUESTING RETIREMENT BENEFIT

VESTED BENEFITS:

- If the member is vested (has at least 10 years of service), the member may apply for service retirement to be effective the first of the month following attainment of retirement age. Requests must be made at least 30 days but no more than 90 days prior to their retirement date.
- If the member is vested (has at least 10 years of service), retirement contributions may be left in the system as follows:
 - Tier 1: Until Age 60
 - Tier 2: Until Age 62

UNVESTED BENEFITS:

- With less than 10 years of service, the member may leave contributions in the system for up to five years. If the member has not returned to employment as a participating member, the account will be terminated and contributions plus any refundable accrued interest will be payable to the member.
- The member may withdraw all retirement contributions and refundable interest in cash or request a direct rollover. Member contributions are only refunded at the request of the member upon termination of employment and application for refund.



FREQUENTLY ASKED QUESTIONS

- **When do I become vested?**
- **After 10 years of service credit**

- **What happens to my contributions if I terminate my employment prior to completing 10 years of service credit?**
- **Contact Member Services at 877.517.0020 or 334.517.7000 to request a distribution of your contributions. You will receive a *Notice of Final Deposit and Request for Refund* form to complete and send to Auburn University for approval.**



TEACHERS' RETIREMENT SYSTEMS

Questions?

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