**Issue:** The state enacted two different pension “buyout” programs during the spring of 2018. One program dealt with only active Tier 1 members moving into retirement and the second applied only to inactive TRS and SURS participants that were entitled to an annuity but have not begun to receive that annuity. The two programs are described as follows:

1. **For active Tier 1 TRS and SURS participants moving into retirement,** the state enacted the Tier 1 Accelerated Annual Increase (AAI) Program. This is a purely optional program for members to participate in. The program allows for individuals that are retiring Tier 1 members to elect to accept accelerated payments in return for reductions in the automatic annual increase to their remaining pensions. Under the AAI Program, Tier 1 members accepting the accelerated payment will renounce their rights to the current Tier 1 annual benefit increase of 3 percent compounded; accept a new annual increase of 1.5 percent, not compounded; and receive a lump-sum that equals 70 percent (a 30 percent reduction of the true value) of the difference between the estimated lifetime value of the old and new annual increases. **The new 1.5 percent simple interest increase would take effect at age 67 while the 3 percent compounded interest increase takes effect after age 61.** The enactment of a lump-sum equal to only 70 percent of the value of the benefit clearly shows that the state saves money by offering this option to Tier 1 members. The state can only save money if members voluntarily choose to participate in a program that does not provide the same value that their full compounded annual benefit increase of 3 percent would provide.

**Be Thoughtful:** The IEA wants members to pause before electing to take the Accelerated Annual Increase Program Option. The program was created to allow for TRS and SURS annuitants to voluntarily reduce their lifetime annual pension increases by 30 percent. This reduction illustrates the significant reduction in lifetime pension earnings that members would give up by choosing this option over a members’ traditional pension annuity that would grant a member a 3% compounded annual increase payable at 61. Remember that the lump-sum presented in this the Accelerated Annual Increase Program only represents 70 percent of what members could project that they would receive if they chose not to elect this option. Members should consider their longevity in retirement when weighing this option vs the traditional 3% compounded annual increase. There is a huge financial difference over the long-term.

2. **The second “buyout” program,** called the Accelerated Pension Benefit (APB) Program, is for inactive TRS and SURS members. The APB amount equals 60 percent of the present value of the member’s anticipated pension benefits. In return, the member gives up any future rights to a reoccurring TRS or SURS benefit when they get older. To be eligible, an inactive Tier 1 member must have at least five years of TRS or SURS service and an inactive Tier 2 member must have at least 10 years of service. Again, the reduced value of the lump-sum is the reason why the state saves money by offering this program to eligible inactive TRS and SURS participants.

Originally, the two programs were scheduled to expire at the end of the 2020-2021 school year. But last spring, state officials extended the life of the programs until the end of the 2023-2024 school year.

Portions of this have been taken from TRS materials. For more information, please visit [www.trsil.org](http://www.trsil.org) or [www.surs.org](http://www.surs.org).