

TRS and SURS

The Accelerated Annual Increase Program in Detail

Issue: Currently, active Tier 1 members in TRS and SURS that are planning on retiring between now and June 30th of 2024 will be offered two retirement options. This fact sheet is intended to offer some clarity to IEA members that are currently looking at these options and may feel a little overwhelmed or confused.

Option 1: Members can choose **NOT** to elect the Accelerated Annual Increase (AAI) Program as outlined in Option 2 of this document. **By not electing the AAI Program, members will receive their full pension as they have always understood it and receive the 3 percent compounded automatic annual increase in their pension.** This 3 percent compounded increase is payable at either age 61 or one year after retirement, whichever occurs later.

Over 84 percent of our recently retired members have chosen to keep their 3 percent compounded annual increase. This is an increase in their pension for the entirety of their life. This increase is not only payable to our members, it also is for any survivor benefits that may be paid in the future to a spouse.

Option 2: 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 an accelerated payment (Lump-sum) in return for a significant permanent reduction in their pension's automatic annual increase. 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.

Why is option 2 being offered? 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 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. It is important to note that this increase is also provided to the surviving spouse/widow's annuity. **Members should consider their marital status and expected longevity in retirement when weighing the AAI Program vs maintaining the traditional 3% compounded annual increase. There is a huge financial difference over the long-term and members should consult their financial advisor.**

Portions of this have been taken from TRS materials. For more information, please visit www.trsil.org or www.surs.org.