PENSION GLOSSARY

Defined Benefit (DB) Plan

A retirement plan that provides a guaranteed monthly payment for life based on years of service and salary. The employer and employee contribute fixed percentages, and the plan's investment performance determines funding status.

Defined Contribution (DC) Plan

A retirement plan where employees and employers make fixed contributions to individual accounts. The employee's retirement benefit depends on investment performance—there is no guaranteed pension.

ARM Board (Alaska Retirement Management Board)

The state board that oversees Alaska's public retirement systems.

PERS (Public Employees' Retirement System)	TRS (Teachers' Retirement System)
The retirement system for Alaska's state, municipal, and local government employees, including public safety workers.	*The retirement system for Alaska's public school teachers and education professionals.*

PRPA (Post-Retirement Pension Adjustment)

The inflation adjustment mechanism that ensures pension payments meet retirees' financial needs as the cost of living rises.

Vesting
The number of years an employee must work to qualify for a pension benefit.

Final Average Salary (FAS)
The average of an employee's highest five consecutive years of pay, multiplied by the total amount of credited work time that counts toward retirement benefits to determine benefit.

Actuarially Determined Cost
The amount of money needed to fully fund pension benefits; this figure is calculated each year by the state's certified actuaries.

Past Service Cost
Also known as Unfunded Liability, this is the difference between the pension plan's total obligations and its available assets.

Major Medical Coverage
Health coverage available to retirees at age 65 to supplement Medicare. Eligibility depends on years of service (20–25 years).