



Alaska Division of Retirement and Benefits

Defined Benefit, Defined Contribution Retirement Systems

Terminating Employment to Retire

A Word About Bona Fide Separation of Employment

Separation of employment is a requirement to be eligible to receive retirement benefits. Both the Alaska statutes governing the retirement plans and the Internal Revenue Service (IRS)— which allows contributions to the retirement plans to be made on a pre-tax basis—require a bona fide separation of employment before any disbursement of retirement funds can occur.

A bona fide separation of employment is a total separation of the employer-employee relationship. Reduction of hours worked, a change in status from full-time to part-time, from permanent to non-permanent, or to a fee-for-service arrangement do not meet the separation requirement.

Members and their employers cannot have a prearrangement to return to work prior to separating from service to retire.

The retirement systems require a break in service before a member can return to work with the same employer. If a member re-employs with the same employer before the required break period has elapsed, the member's retirement will be reviewed to determine if a valid separation occurred. If a pre-arrangement for re-employment is discovered, the member's separation of employment will be invalid and all retirement benefits, include retiree medical claims, must be repaid to the retirement system.

If no prearrangement is evident but the member returns to the same employer without fulfilling the required break in service period, the member's benefit will be coded as an early distribution and an additional 10% tax penalty will be applied by the IRS on benefits received.

Termination Requirements

- If you are under age 62 at retirement, you are required to have a 6-month break in service before returning to the same employer.

- If you are age 62 or older, you are required to have a 60-day break in service before re-employment.

Again, no prearrangement for re-employment can occur prior to your retirement.

Your application for retirement form will ask you to certify that no prearrangement for employment has been made. Your retirement benefits cannot be processed without this certification. Any adjustment to the application form will invalidate the form and it will be returned to you.

Your certification will also indicate that you understand the break in service provisions and penalties for returning to work with the same employer before the required waiting period has elapsed.

Questions?

If you need further information, please contact the Division of Retirement and Benefits and ask to speak with a retirement counselor or visit our webpage at drb.alaska.gov/employer/return2work.html#bonafide.

Alaska Division of Retirement and Benefits

- (800) 821-2251 toll-free outside of Juneau
- (907) 465-4460 in Juneau



Alaska Division of Retirement and Benefits

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Member Service Center

Hours: Monday-Thursday 8:30 a.m. to 4 p.m. | Friday 8:30 a.m. to 3 p.m.

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The information in this brochure is not intended to replace the Alaska Statutes, the Alaska Administrative Code, or the plan documents. Language contained in Alaska Statutes, the Alaska Administrative Code, and the plan documents governs the plans.