Retirement Planning
Retiree benefit planning for employees hired or vested prior to 10/1/2012
Agenda

- General retirement planning/types of plans
- Working in retirement
- The university’s retirement plan
- The online retirement calculator/pension decisions
- Retirement insurance
- The university’s retirement process
The four pillars of retirement planning

- UM System retirement plan
- Personal savings
- Social Security
- Working in retirement
Returning to work

Working for the university after retirement
Rehire retiree rules

**Hours you work**

- While re-employed the UM System after retirement, you can continue receiving your pension and any retiree insurance you are eligible for, only if you work **less than** 75% FTE (or **less than** 30 hours per week).
  - Accumulated across all positions.
  - Meeting or exceeding 75% FTE results in suspension of pension/retiree insurance.

- It is strongly recommended that re-employed retirees **do not exceed** 70% FTE (or **no more than** 28 hours per week).

- It is important to notify the UM System Office of Human Resources Retirement team if you are returning to work in a benefit-eligible position.

**Age**

- If you are younger than 62 at retirement, you must follow special IRS rules:
  - No understanding or promise of rehire prior to retirement.
  - Minimum 90-day break in service, unless competitively rehired.
  - Signed Notice of Intent to Retire form to confirm understanding of these rules.

- If you are age 62 or over at retirement:
  - There is no restriction in rehire with the university; however, the UM System Office of Human Resources recommends a 30 day break between retirement and rehire dates.
Types of benefit plans
Defined benefit vs. defined contribution
Two types of plans

- **Defined benefit**: Monthly income received upon retirement is set by a fixed formula.

- **Defined contribution**: Monthly income received upon retirement is set by the amount and timing of contributions and the employee’s investment decisions.
Defined contribution plans

- The benefit is dependent upon many factors.
  - Subject to market fluctuations.

- Employee decides how funds are invested (assumes risk).

- Examples of defined contribution accounts:

  401(k)  403(b)  457(b)

For more information or to schedule a one-on-one with Fidelity or TIAA, visit:
http://umurl.us/retplans
Retirement eligibility and plan calculations
The university’s defined benefit plan
The UM System pension benefit plan

- Retirement, Disability, and Death Plan (RDD)
  - This is the retirement plan for employees who were hired or vested prior to 10/1/2012.

- Contributions
  - University funds most of pension.
  - Employee contributes:
    - 1% of first $49,999 in salary.
    - 2% of salary $50,000 and above.

- Vesting
  - 5 years of benefit-eligible service earns a benefit.

- Formula
  
  Average of high five years of consecutive compensation \( \times \) 
  Multiplier (2.2%) \( \times \) 
  Years and months of creditable services
Retirement age

Normal retirement

- Age 65 with at least 5 years of service
- Age 62 with at least 25 years of service

Early retirement

- Age 55 with at least 10 years of service
- Age 60 with at least 5 years of service
**Salary**

- **Average salary =**
  - Highest five consecutive (pension-eligible) years, divided by five.
  - Not necessarily last five years.
Other calculation factors

Service credit
- The time you spent in a benefit-eligible position; this time must meet certain criteria under the plan.
- Credit may include or exclude certain types of leave.

Multiplier
- 2.2%

Early retirement reduction factor
- 3 1/3% for each year you retire earlier than age 65.
  - Age 62 if you have 25+ years of service.
Final calculation

Salary × Service credit × Multiplier (2.2%) × Early retirement (possible factor) = Monthly pension amount

12 months
Benefit calculation: Normal retirement

Normal retirement

Age: 65
Final average salary: $40,000
Multiplier: 2.200%
Service credit: 15 years
Annual benefit – $13,200.00
\[40,000 \times 0.02200 \times 15 = 13,200\]

Monthly benefit – $1,100.00
Benefit calculation: Early w/ less than 25 years of service

Early retirement (less than 25 years service credit)

Age: 60
Final average salary: $40,000
Multiplier: 2.200%
Service credit: 15 years
Early retirement reduction: 83.5%
(less than 25 years creditable service = $40,000 X .02200 X 15 X .835)
Annual benefit – $11,022
Monthly benefit – $918.50
Does my leave time impact my retirement?

- **Sick leave**
  - Upon your retirement, you will receive credit for any unused sick time. There is no limit on this time.

- **Vacation**
  - Employees can accrue up to a maximum of 352 hours of vacation. When you choose your last day of work, you will be paid on your regular pay cycle(s) for any unused time. After your vacation time expires, the next day is your first day of retirement. You receive salary and service credit for unused vacation time.

- **Personal days**
  - Personal days do not have an impact on retirement. This time must be used prior to your last day at work because they will not be paid out upon termination.

- **Lump sum payment**
  - Leave time cannot be paid out in lump sum distribution. Sick leave will be credited toward retirement, but not paid out. Unused vacation accruals will be paid out over time. Personal days must be used before your last working day.
Pre-retirement death beneficiary

- If you pass away before you retire and you are vested, your beneficiary is entitled to a death benefit.
  - The benefit to your beneficiary will be no less than 2X your annual salary as of the date of death.
  - A lifetime monthly option or lump sum option is available to your beneficiary.
Online retirement calculator
What it is and how to use it
Accessing the calculator

1. Login to myHR at https://myhr.umsystem.edu

2. Select Self Service menu > Benefits > Retirement Calculator

3. Use the retirement calculator, or watch a demo of running an estimate
Login to the calculator

1. Use your normal university ID and password

2. Click “I’ve read and understood the disclaimer”

3. Choose “Estimate your future pension payments”
Using the calculator

- Complete the fields shown and click “submit”

<table>
<thead>
<tr>
<th>Project Your Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image-url" alt="Image of calculator interface with fields to input dates, pay increase, and other information." /></td>
</tr>
</tbody>
</table>

Just fill in the information below to project your University of Missouri pension benefit.

If your beneficiary’s date of birth is not shown below, you must enter it below to view the options you may be eligible to receive.

- **Your projected last day of work:**
- **When you want pension benefits to begin:**
  - Enter a date:
  - Or an age:
- **Your beneficiary’s date of birth:**
- **Your beneficiary’s relationship:**
- **Your projected annual pay increase:**
- **Lump Sum Election Percentage:**
- **Estimated Annual Value of Social Security at Commencement Date:**
- **Estimated Annual Value of Tax Deferred Investment at Commencement Date:**

Place your cursor over the **bold blue** words to learn more about these data items.

If you’re ready to see your pension benefit estimate, click **submit now**.
Review calculation results

- To access your results:
  1. Click “see payment options” or
  2. Select “printer friendly” to bring up your printing options.
Pension decisions
Deciding how you want your pension to be paid out
Three decisions

1. Do you want a lump sum payment at the start of your retirement?

2. Do you want to provide a payment to a survivor?

3. Do you want to adjust monthly payments to account for increases in the cost of living?
Why choose a lump sum payment?

- Payment elections are irrevocable.
- Consult a financial advisor (or two).

Why do some retirees choose a lump sum?

1. Invest elsewhere
2. Defer taxes
3. Pay debt
Choose your lump sum amount

Choosing to take a lump sum payment reduces your monthly pension payments by the same % of your election lump sum (10, 20, or 30%)
Decision 2: Provide a payment to a survivor?

Do you want to designate a beneficiary?

- **no**
  - Single Life Annuity
  - Joint & Survivor Annuity

- **yes**
  - Single Life Annuity with guaranteed payment period
  - Joint & Survivor Annuity with guaranteed payment period

Do you want to designate an annuitant?

- **no**
  - Single Life Annuity
  - Joint & Survivor Annuity

- **yes**
  - Single Life Annuity with guaranteed payment period
  - Joint & Survivor Annuity with guaranteed payment period
How the Single Life Annuity works

- Lifetime payment to you.
- Highest monthly payment.
- Stops after your death.
- Married employees may choose this annuity with a waiver.

Single Life benefit: $1,200 per month
Benefit begins: Mar. 1, 2016
Retiree dies: June 15, 2035
Monthly payments stop: June 15, 2035

Retirement date: Mar. 1, 2016
How the Joint & Survivor Annuity works

- One monthly payment over both lifetimes.
- Amount depends on age and percentage you want annuitant to get if you predecease them.
  - Married: 50%, 75%, or 100%
  - Single: 50%
- Stops after both deaths.

Retirement date: Mar. 1, 2016

Joint and Survivor: 50% benefit; $1,000 per month

Benefit begins: Mar. 1, 2016

Retiree dies: 1 year after retirement

Annuitant's monthly payment begins: June 1, 2017;
$500 (50% of what the retiree was receiving)***

Monthly payments stop: Upon death of annuitant
How the Guaranteed Payment Period works

- Available for both the Single Life Annuity and Joint & Survivor Annuity.
- Reduces monthly payment to set aside for beneficiary.
- 10 years starting from retirement date.
- Beneficiary payments stop at end of period.

Single Life benefit: $1,100 per month

With a Guaranteed Payment Period: 10 years

Benefit begins: Mar. 1, 2016

Retiree dies: 1 year after retirement**

GPP monthly payment begins: continues for 9 years; $1,100 per month (same as retiree)

GPP payment stops: Mar. 1, 2026; 10 years from retire date

Retirement date: Mar. 1, 2016
How the Pop-up Provision works

- Automatic increase to the Single Life Annuity amount upon death of joint annuitant.

<table>
<thead>
<tr>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement date</td>
<td>Mar. 1, 2016</td>
</tr>
<tr>
<td>Joint and Survivor</td>
<td>50% benefit; $1,000 per month</td>
</tr>
<tr>
<td>Benefit begins</td>
<td>Mar. 1, 2016</td>
</tr>
<tr>
<td>Retiree dies</td>
<td>1 year after retirement</td>
</tr>
<tr>
<td>Joint annuitant dies</td>
<td>1 year after retirement</td>
</tr>
<tr>
<td>Monthly payment begins</td>
<td>March 1, 2017; $1,200 per month (equivalent to the Single Life Annuity amount)</td>
</tr>
<tr>
<td>Monthly payment stops</td>
<td>Upon death of retiree</td>
</tr>
</tbody>
</table>

1. Lump sum at start?
2. Payment to survivor?
3. Guaranteed increase?
How the Guaranteed COLA works

Same monthly payment amount throughout retirement

Year 1
monthly payments

2%

Year 2
monthly payments

2%

Year 3
monthly payments

2%

etc.

1. Lump sum at start?

2. Payment to survivor?

3. Guaranteed increase?
Retirement insurance
Planning and premiums
If you retire prior to 1/1/18

- You may continue benefits you were enrolled in immediately prior to your retirement date.
  - Except long term disability.
  - As a retiree, you may not re-enroll in medical, dental, or life insurance once you drop coverage.

- Adjust insurance coverage levels during Annual Enrollment prior to your retirement.
  - Unable to add a spouse or dependents to your medical coverage during retirement.
    - Exception is dependent children under the age of 26.
Premium determination prior to 1/1/18

- Premium calculation based on:
  - Age.
  - Years of service.

- University subsidy based on:
  - Employee service.
  - Dependents.

- Medicare can impact premiums.
  - Primary v. secondary.
Premium estimate before 1/1/2018

- Premiums vary from person to person depending on a variety of factors, including:

  - Age
  - Years of Service
  - Coverage Level
  - Etc.

- If you are considering retirement before 1/1/18, we suggest you visit our online Retiree Insurance Premium Estimator. Rates are based on the current calendar years premiums:
  - https://www.umsystem.edu/forms/retiree-premium-estimator
Retirement insurance changes
Effective 1/1/2018
Access Category information
Access Category D:
On 12/31/2017:
Yrs of Service < 5
Access to UM retiree insurance:
• Ineligible

Access Category D:
On 12/31/2017:
Yrs of Service < 5
Access to UM retiree insurance:
• Ineligible

Access Category B:
On 12/31/2017:
Age + Yrs of Service ≥ 80
But either Age < 60 or Yrs < 20
Access to UM retiree insurance:
As long as employee works to at least age 60 & 20 yrs. service:
• UM coverage
• Current % subsidy

Access Category A:
On 12/31/2017:
Age ≥ 60
Yrs of Service ≥ 20
Access to UM retiree insurance:
• UM coverage
• Current % subsidy

Access Category C:
On 12/31/2017:
Age + Yrs of Service < 80
Yrs of Service ≥ 5
Access to UM retiree insurance:
As long as employee works to at least age 60 & 20 yrs. service:
• UM coverage
• Subsidy is $100/yr. for each Year of Service; $2,500 max. annually

Note:
Criteria for a given Access Category must be met before the effective date of 01/01/2018 (e.g., must be Age 60 with 20 Years of Service by 12/31/2017 to be in Access Category A).

* Employees with ≥ 25 Yrs of Service will fall into categories A, B, or C depending on Age and Yrs of Service

Plan closing to employees with less than 5 Years of Service, as well as new hires
If you retire 1/1/18 or later

- The Access Category you met on 12/31/17 will determine your eligibility to continue insurance as a retiree. If eligible, you may continue the benefits you were enrolled in immediately prior to your retirement date.
  - Except long term disability.
  - As a retiree, you may not re-enroll in medical, dental, or life insurance once you drop coverage.

- If eligible for insurance as a retiree, adjust insurance coverage levels during Annual Enrollment prior to your retirement.
  - Unable to add a spouse or dependents to your medical coverage during retirement.
    - Exception is dependent children under the age of 26.
Premium determinations for retirements 01/01/2018 and later

**Access Categories A & B**

- Premium calculation based on
  - Age
  - Years of service

- University subsidy based on
  - Employee service
  - Dependents covered

- Medicare can impact premiums
  - Primary v. secondary

**Access Category C**

- Upon your retirement date, if you are at least age 60 with at least 20 years of service, you will be eligible for a subsidy to purchase UM-sponsored Insurance.
  - $100 subsidy for every year of service you earned, up to a maximum total subsidy of $2,500 per year.

**Access Category D**

- Not eligible to continue insurance as a retiree, but eligible for a pension based on plan eligibility.
REMEMBER

The decision of when to retire is an individual one and involves many factors, including your age and years of service, the pension benefits you have earned, other retirement savings you may have, your insurance coverage options (both with and outside the university), and your own career and personal aspirations.

- There is time to evaluate your options, and understand how the approved recommendations may or may not impact you.
- It is very important that you run estimates on the online calculator and use the other online resources available before requesting a one-on-one appointment, so that you might have the most valuable and personalized discussion possible.
Retirement insurance
Medical plans available in retirement
The university offers several medical plan options to eligible retirees.

### Medical plan options in retirement

<table>
<thead>
<tr>
<th>Non-Medicare retirees and their Non-Medicare dependents</th>
<th>Medicare-eligible retirees and their Medicare-eligible dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UM self-insured plans administered by UnitedHealthcare</strong></td>
<td><strong>UnitedHealthcare Group Medicare Advantage Plans</strong></td>
</tr>
<tr>
<td>Retiree Health PPO (different than active employee PPO), or Healthy Savings Plan</td>
<td>Base Plan, or the option to buy-up to an Enhanced Plan</td>
</tr>
<tr>
<td>Prescription drug coverage with Express Scripts (ESI) as a self-insured product</td>
<td>Prescription drug coverage with Express Scripts (ESI) as a fully-insured product</td>
</tr>
</tbody>
</table>
Medicare eligibility

90 days before Medicare eligibility, or retirement date if already over age 65, apply for Medicare Part A and Part B at:

- www.socialsecurity.gov/medicareonly or,
- Your local Social Security office

The Medicare Advantage plans sponsored by the university require:

- Enrollment in both Medicare Part A and B.
- Continued payment of Part B premiums in addition to university premiums.
Medicare resources

- Medicare information can be found at [www.medicare.gov](http://www.medicare.gov/).

- UM System Medicare webinars:
  - [http://umurl.us/retsem](http://umurl.us/retsem)

- CLAIM- Missouri State Health Insurance Assistance Program
  - A nonprofit organization offering free and confidential services to assist Missourians with Medicare.
    - Medicare education
    - Medicare Advantage
    - Supplemental policies
    - Medicare Prescription Drug Program
    - Billing issues
  - Contact
    - Online: [www.missouricclaim.org](http://www.missouricclaim.org)
    - Phone: 1-800-390-3330
Retirement insurance
Ancillary plans
Dental and vision plans

- **Dental**
  - You may retain your dental insurance if enrolled immediately prior to retirement.
    - Retiree dental plan is the same as the plan for active employees.
      - Deductibles.
      - Co-pays.
      - Coverage levels.

- **Vision**
  - May add or drop during Retiree Annual Enrollment
    - No mid year changes.
Group term life insurance

Note: After age 70, conversion privileges are available directly with the life insurance company. Subsidies are based on your age.
Accidental Death & Dismemberment

- Ages $\leq 70$
  - $50,000$
- Ages 70-74
  - $25,000$
- Ages 75-79
  - $10,000$
- Ages 80+
  - $0$

Note: Subsidies are based on age and service at retirement.
Other life insurance plans

- **Dependent life**
  - Spousal coverage does not expire.
    - Premiums increase with age.
  - Dependent child coverage ends when they turn 26.

- **Supplemental life**
  - Does not expire.
    - Premiums increase with age.
Deductions from your pension check

- Missouri income tax
- Federal income tax
- Health care premium
- Dental premium
- Vision premium
- Life insurance premium
- Accidental Death premium
Retirement process

What do I need to do to retire from the university?
So when can I retire??

**Staff/faculty:**
*12 month appointment*

- Any date once eligible.

**Faculty:**
*9 month appointment*

- Once eligible, can only retire on 2 dates each year:
  - March 1
  - September 1

Regardless of your appointment type, you are eligible to retire once you meet the basic retirement eligibility.

- At least age 55 with at least 10 years of service, or
- At least age 60 with at least 5 years of service
How to submit your decisions

1. Submit a Notice of Intent to Retire form along with Marriage Certificate/Divorce Decree.

2. Receive New Retiree Email from the Office of Human Resources.
   - This email includes, if eligible, retiree insurance election forms.
     ▪ Complete election forms and return to the UM System Office of Human Resources prior to your actual retirement date.

3. Receive a retirement pension election packet via email.
   - This packet includes your pension benefit election and retiree payroll forms.
     ▪ You must complete all forms and return by deadline included in packet.

When will I get my pension packet?

<table>
<thead>
<tr>
<th>60 days prior to retirement</th>
<th>30 days prior to retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>UM System Retirement program receives form and associated documents</td>
<td>You will receive your retirement election packet</td>
</tr>
</tbody>
</table>
Thank you for taking the time to learn more about your benefits with the University of Missouri System.