Retirement Benefit Workshop

Indiana Public Retirement System
Teachers’ Retirement Fund

Please silence your cell phone.
Today’s Agenda

• TRF’s role in your Retirement Benefit
• Monthly Pension and Annuity Savings Account Options
• TRF Retirement Application
Your Benefit Has Two Parts

**Defined Benefit (Pension)**
- **Lifetime benefit** - must meet eligibility
- Funded by employers
- Contributions not held in an individual account
- Formula calculation used to determine benefit
- Benefit determined by age, salary, service, and retirement option chosen

**Annuity Savings Account (ASA)**
- Mandatory 3% contribution
- Always belongs to you / fully vested
- No loan or hardship withdrawals available
- Pre-86 Contributions
- Optional Rollover Savings Account (RSA)
Full Pension Benefit

Normal Retirement Eligibility

• Age 65+ with 10+ years of service

• Age 60+ with 15+ years of service

• Ages 55 to 59 when age added to years of service totals at least 85 (Rule of 85)
Reduced Pension Benefit

**Early Retirement Eligibility**

- Age 50 to 59 with 15+ years of service

- **Age 50** – Early Retirement Factor = 44%
  - Member will receive 44% benefit for life

- **Age 59** – Early Retirement Factor = 89%
  - Member will receive 89% benefit for life
Collect Pension Benefit While Working

- Millie Morgan: Minimum age 70 with 20 or more years of creditable service (while working in a TRF-covered position)
Pension Benefit Calculation

What is a year of Service?

• Fiscal Year: July 1 to June 30
• 120+ days = 1.0 year
• 60 to 119 days = 0.5 year
• 10 years of qualifying Indiana service = fully vested in pension
Pension Benefit Calculation

What counts as service?

• Regular Indiana teaching service
• Some substitute teaching situations in Indiana
• School board approved leaves of absence from an Indiana school
• Public Employees’ Retirement Fund (PERF) service
• Military service credit
• Private school service in Indiana (purchased)
• Out-of-state service (sometimes purchased)
• Additional years purchased
Monthly Pension Benefit

How is my Pension Calculated?

• Average Annual Compensation
  • Average of five highest years of salary earned for covered service
• Benefit Multiplier: 1.1% (.011)
• Years of Service
  • Service credit earned or purchased
• Member’s Age at Retirement
• Retirement Option Selection
Monthly Pension Benefit

Benefit Formula:

• Average salary x 1.1% x years of service

Example:

• Age 55
• 30 years of service
• Salary average (5 highest years): $60,000

Annual pension income based on formula:

$60,000 x 1.1% x 30 = $19,800  ($1,650/month)
Additional Pension Examples

• Age 60, 35 years exp, $60,000 avg salary
  • $23,100/yr ($1,925 mo)

• Age 60, 15 years exp, $60,000 avg salary
  • $9,900/yr ($825/mo)

• Age 65, 10 years exp, $60,000 avg salary
  • $6,600/yr ($550/mo)
Decision Time

One of the most important decisions you will make is choosing your Monthly Pension Benefit.

Who do you need or want to take care of?

• You
• You AND a survivor/beneficiary?
• If a survivor/beneficiary, How much? How Long?
Two Decisions To Make

• Choose your monthly pension benefit option.
• Choose an annuity savings account option.
• Choose a rollover savings account option (if applicable)
Monthly Pension Benefit Options

- Three Limited Beneficiary Options
- Three Survivor Options
- Social Security Integration
Monthly Pension Benefit

- A-1 - 5-Year Certain & Life
- A-2 - Straight Life
- A-3 – Balance Recovery / 5-Year Certain & Life
- B-1 - 100% Survivor Benefit
- B-2 - 66-2/3% Survivor Benefit
- B-3 - 50% Survivor Benefit
Annuity Savings Account Overview

- **Combine ASA-1 & ASA-7** - (1) Add full amount to Pension for a larger lifetime benefit. (2) Withdraw Pre-86 amount and add remaining balance to Pension for a larger lifetime benefit.

- **Withdrawal ASA-2** - Full distribution (lump sum) with tax implications.

- **Rollover ASA-3** - To IRA or other qualified plan.

- **Partial Withdrawal/Partial Rollover ASA-4** - Partial distribution (lump sum) with tax implications along with a partial rollover to IRA or other qualified plan.

- **Defer ASA-5 & ASA-6** - (1) Leave it in the ASA and choose none of the above at this time. (2) Withdraw Pre-1986 amount and leave remaining balance.
Reemployment

• To reemploy by TRF- or PERF- Employer:
  • 30-day mandatory separation from retirement date to reemployment date
  • No additional service credit earned
  • No contributions to ASA
  • No earnings limitation

• To reemploy in private sector:
  • Employable immediately
  • No earnings limitation

• Subject to Social Security limitations
Ready to Retire?

• Complete *Retirement Application*, and submit to TRF
Recap

• Two parts to your retirement – monthly pension benefit and ASA
• Ensure service credit and beneficiaries are correct
• Make your choices carefully, nearly all are irrevocable
• Submit the retirement application (90 days prior to retirement date preferred)
• Begin drawing your benefit!