



# Preparing to Retire

*Mike Wilson*

URS/PEHP Employer Event

March 17, 2021

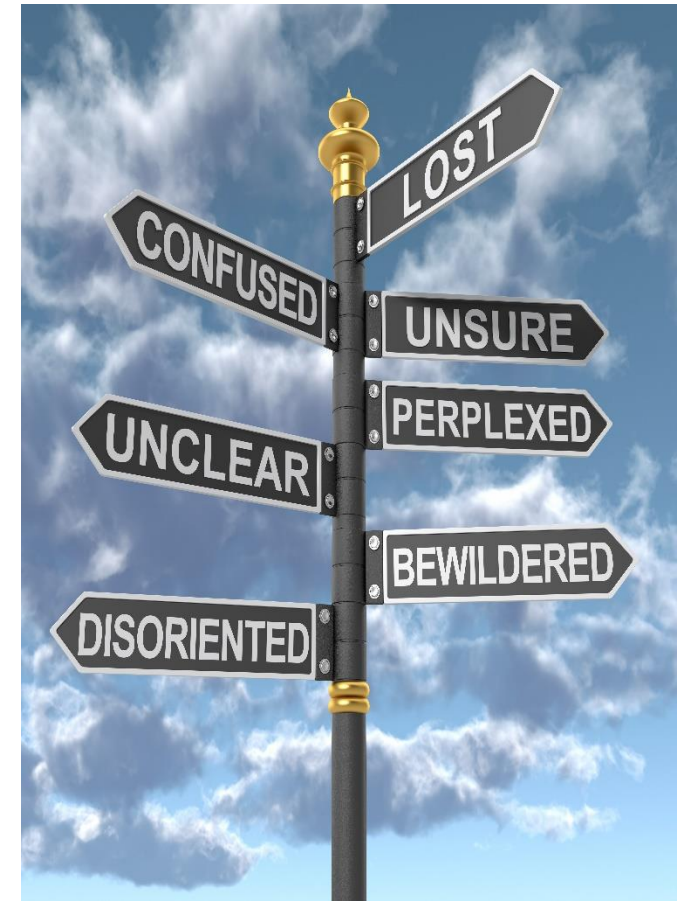


**Trust • Commitment • Value • Innovation • Excellence**

# A Big, Scary Decision??

- » 72% are worried about running out of money in retirement
- » 57% are overwhelmed by determining how much they can spend in retirement
- » 60% are worried about not getting – or the thought of not getting – a regular paycheck in retirement
- » 64% are overwhelmed by not being able to maintain their current lifestyle or quality of life in retirement

*Pre-Retiree Worries Survey by Charles Schwab, February 2020*



# Lots of Moving Parts

- » Managing different income sources and accounts in retirement (52% are worried)
- » Managing the tax implications of withdrawing from multiple accounts (54% find it difficult)
- » Knowing how to invest (50% find it difficult)
- » Projecting how long their savings will last (57% find it difficult)
- » Managing unexpected expenses (59% find it difficult)

# The Basics of Retirement Income

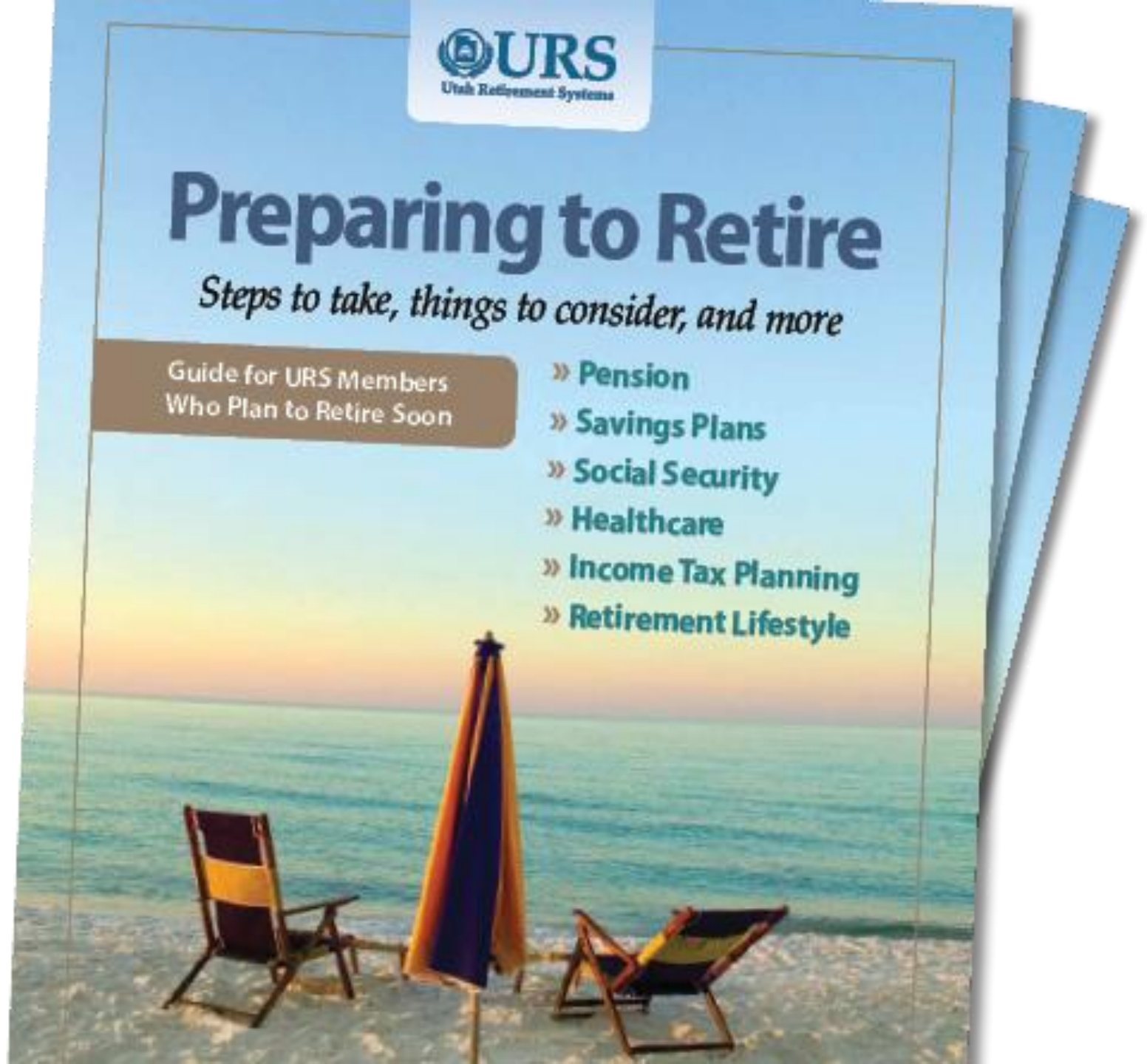
- » Annual Required Minimum Distributions (70% know nothing/not a lot about this topic)
- » Tax implications of retirement account withdrawals (70% know nothing/not a lot about this topic)
- » Fees (48% are worried about paying too much for advice on managing retirement income)



**How Can a Member  
Make Sense of All These  
Options and Decisions?**



[www.urs.org/us/retire](http://www.urs.org/us/retire)



**URS**  
Utah Retirement Systems

# Preparing to Retire

*Steps to take, things to consider, and more*

Guide for URS Members  
Who Plan to Retire Soon

- » Pension
- » Savings Plans
- » Social Security
- » Healthcare
- » Income Tax Planning
- » Retirement Lifestyle

# Help From URS

- » Individual retirement planning sessions
- » Seminars
- » Webinars



Preparing to Retire » Retirement Advice

## Getting Retirement Help

URS offers retirement planning and customized advice to help you plan for a better future. Free individual retirement planning sessions are available at various locations throughout the state. See times and locations and register by logging in to myURS at [www.urs.org](http://www.urs.org).

### What to Expect at a Planning Session

After reviewing your potential retirement income sources, we develop a snapshot of your overall retirement situation and assess how much income you may have in retirement. In addition, we answer questions and provide advice about your retirement benefits, such as:

- » How much can I spend from my 401(k) and IRAs in retirement?
- » Which investments are right for me after I retire?
- » What pension payout option is right for me?

### To Do

#### Attend a Free URS Seminar

Our free, full-day Pre-Retirement Seminars help you prepare for the transition. You'll get a big-picture overview of the following topics:

##### Your Pension »

How to calculate your Tier 1 or Tier 2 benefit.

**Retirement Savings Plans »** 401(k), 457(b), IRAs: How to maximize at the end of your career; how to manage in retirement.

##### Estate Planning »

Wills, trusts, and more.

**Other Topics »** Social Security and Medicare.

Learn more at [www.urs.org/us/seminars](http://www.urs.org/us/seminars).



Go online to watch this brief video to see how to register for URS Retirement Planning Sessions. Visit [www.urs.org/us/sessions](http://www.urs.org/us/sessions).

[www.urs.org/us/sessions](http://www.urs.org/us/sessions)

# URS Pension

- » Pension calculator
- » Pension estimate
- » Payout options



Preparing to Retire » Pension

## Your URS Pension Benefit

Your URS pension will give you lifetime monthly income throughout your retirement. How much will you get each month? It depends on several factors, including how long you've worked, your salary, and the retirement system to which you belong.

### To Do

#### Call URS to Get an Estimate

If you have a pension and plan to retire within the next three years, call the URS Retirement Benefits Department (contact info on Page 2) to request a retirement estimate. Once you decide to retire, call to make an appointment with a retirement counselor or request an application by mail no more than 90 days before or after your actual retirement date.

#### Which Retirement System is Mine?

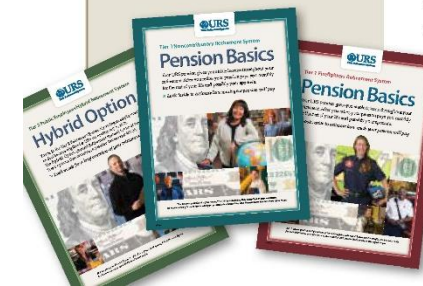
URS has different retirement systems with unique rules and benefits (e.g., Noncontributory, Public Safety, Tier 2 Public Employees). Not sure which is yours? Ask your employer or log in to myURS at [www.urs.org](http://www.urs.org).

#### Understand Your Benefit

For more details about your pension, we offer two series of brochures for each retirement system. **Pension Basics** (or **Tier 2 Basics**) brochures explain the pension formula and give you a big-picture overview. **Highlights Brochures** dig deeper with detailed terms and conditions. Find them at the Publications page at [www.urs.org](http://www.urs.org).

#### Your Pension Payout Options

You may choose among different pension payout options. Some will reduce your monthly benefit but give your spouse a lifetime monthly income after you die. Payout options are based on your retirement system. You may have the option to receive a lump-sum payment equal to 12 months or 24 months of your lifetime monthly retirement benefit. (See Page 10.)





# 401k, 457, IRAs

- » Withdrawal options/flexibility
- » Distribution strategies
- » Tax considerations



Preparing to Retire » Savings Plans

## Your URS Savings Plans

During your working years, you and your employer may have been contributing money to a retirement savings plan, such as a 401(k) or an IRA. Now's the time to enjoy the fruits of your savings, but not the time to stop wisely planning and managing your money.

### Withdrawing Your Money

When you're ready to start spending from your savings plans, log into your myURS account at [www.urs.org](http://www.urs.org) and download a withdrawal application.



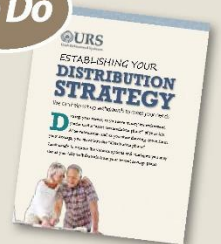
### Managing Your Savings Plans

You're never required to move your money out of URS Savings Plans simply because you are no longer working. Stay with URS for professional money management, low-cost investing, and local customer service. Continue to manage your investments at myURS at [www.urs.org](http://www.urs.org).

### Withdrawal Options

Once you're eligible for withdrawals, URS has many options to fit your personal needs. Choose among monthly, quarterly, semiannual, or annual automatic payments. Once you reach age 72, and are no longer working for a URS covered employer, you're required to start taking a small portion out of your savings plans each year. (See Page 11.)

To Do



### Establish Your Distribution Strategy

For more information about withdrawal strategies and options, read ***Establishing Your Distribution Strategy*** at the Publications page of [www.urs.org](http://www.urs.org).



# Other Retirement Accounts

- » Rollover options
- » Pros and cons



Preparing to Retire » Savings Plans

## Non-URS Savings Plans

Have you or your employer contributed money to a non-URS retirement savings account, such as a 403(b), 457(b), or 401(k)? Check with your savings plan provider to see your withdrawal options and restrictions.

### To Do

#### Combine Your Accounts

To roll over a non-URS account to URS, download the **Rollover/Transfer to URS Savings Plans** form at [www.urs.org/us/rollover](http://www.urs.org/us/rollover). Send it to us, along with a recent statement from your old plan, and you're done. In many cases, you won't have to deal with the other institution — we'll make all the arrangements. For more information, call the URS Savings Plans Department at 801-366-7720 or 800-688-4015.

#### An Easier Way to Manage Your Money

Generally, you can combine non-URS accounts with a URS Savings Plan. By doing so, it may be easier to manage your retirement savings plans by having them all in one place, particularly when it comes to required minimum distributions (see the Income Tax Planning section on Pages 10-11). You'll also enjoy the benefit of low-cost investment options at URS as well as local customer service.



Go online to watch this brief, helpful video to see the simple steps to rolling over other retirement savings plans into URS. Visit [www.urs.org/us/rollover](http://www.urs.org/us/rollover).

[www.urs.org/us/rollover](http://www.urs.org/us/rollover)

# Social Security

- » Estimates
- » General rules
  - › Tax implications
  - › Earnings limit under full retirement age
- » Windfall elimination provision (WEP)
- » Government pension offset (GPO)



Preparing to Retire » Social Security

## Social Security Benefits

Social Security provides lifetime monthly income, replacing a percentage of your income based on your career earnings. You can start receiving payments as early as age 62. However, the longer you wait (up to age 70), the higher your monthly benefit will be.

### Estimating Your Social Security Benefit

To estimate your benefit, access your Social Security Statement by logging into your account at [www.ssa.gov](http://www.ssa.gov). Or, to get a ballpark estimate, use the Social Security Quick Calculator at [www.ssa.gov](http://www.ssa.gov).



### To Do

#### Apply for Social Security

The Social Security Administration recommends that you apply for your benefit about four months before you want your monthly payment to start. Apply for your benefit online at [www.ssa.gov](http://www.ssa.gov) or make an appointment at your local Social Security office by calling 800-772-1213.

### Windfall Elimination Provision

If you ever worked for an employer that did not require you to pay Social Security taxes, your benefit may be reduced. This reduction is called the Windfall Elimination Provision (WEP). Most public and private-sector employers in Utah participate in Social Security by paying FICA taxes. If you have never paid FICA taxes, then the WEP will reduce your Social Security benefit. However, if you have 30 or more years in jobs where you have paid FICA taxes on "substantial earnings," the WEP will not apply. For more information on what constitutes substantial earnings and your potential reduction, visit [www.ssa.gov](http://www.ssa.gov) and search "windfall." (Link is <https://www.ssa.gov/pubs/EN-05-10045.pdf>)

[www.ssa.gov](http://www.ssa.gov)





# Some assembly required...



# Pre-65 Healthcare

- » Health Exchanges
- » COBRA
- » Employer options?
- » HSAs and HRAs



Preparing to Retire » Healthcare

## Healthcare Under Age 65

A major challenge of retiring early is getting adequate medical coverage between the time you stop working and become eligible for Medicare (generally at age 65). Look carefully at your options and plan ahead. Here's some general information to help you get started.

### To Do

#### See What Your Employer Offers

Some employers offer early retiree health coverage, allow you to convert unused sick leave into a healthcare benefit, or may offer an early retirement incentive to pay for healthcare coverage. Check with your employer to see what options are available to you. COBRA allows you to maintain your current active health coverage for a limited period of time (typically up to 18 months) but you may pay a higher premium than you did while working.

#### The Health Insurance Marketplace

The Marketplace (also known as Health Exchanges) may be an option if you've retired early from active employer-group coverage but are not yet eligible for Medicare. Insurance plans in the Marketplace are offered by private companies. Choose individual or family plans. You may also qualify for federal subsidies depending on your income. Visit [www.healthcare.gov](http://www.healthcare.gov) for more information.

#### Health Savings Account (HSA)

Use money from an HSA to pay for qualified healthcare expenses, tax-free. After age 65, HSA funds can be spent for any purpose, though non-healthcare expenses may incur taxes. If you enrolled in an HSA, such as the one offered by PEHP, before retiring, consider how you will use this asset in your retirement healthcare planning.



#### Health Reimbursement Account (HRA)

Like an HSA, you can use money from an HRA to pay for qualified healthcare expenses, tax-free. Only an employer can contribute to an HRA. Contact your employer to see if they offer an HRA.



# Medicare

- » Parts A, B, C and D
- » Medicare supplements
  - › PEHP
  - » Medicare presentations



Preparing to Retire » Healthcare

## Healthcare Over Age 65

Medicare is a national health insurance program for people age 65 and over. If you have employer-provided healthcare coverage past age 65, you're not required to enroll in Medicare, though there may be advantages (or sometimes disadvantages) to signing up.

### Different Parts of Medicare

Medicare Part A (Hospital Coverage) provides coverage for inpatient hospital stays and other inpatient facilities. Medicare Part B (Medical Coverage) provides coverage for most medical services. Medicare Part C (Advantage Plans) are Medicare-approved plans offered by private companies. You're required to enroll in Medicare Parts A and B and may pay an additional premium depending on your Part C plan benefits. Medicare Part D (Prescription Drug Plans) consists of Medicare-approved drug plans offered by private companies.

### Medicare Supplement

A Medicare supplement helps cover expenses Medicare does not pay, such as coinsurance and deductibles. URS members and their spouses are eligible for an exclusive PEHP Medicare Supplement plan at age 65 or otherwise eligible. To learn more, go to [www.pehp.org/medsup](http://www.pehp.org/medsup).

### Additional Resources

For more information, contact your County Department of Aging Services. State Health Insurance Assistance Programs provide free personalized Medicare counseling (see <https://daas.utah.gov/seniors/>). Or visit [www.medicare.gov](http://www.medicare.gov).

### To Do

#### Understand Medicare Basics

Go to [www.pehp.org/medsup](http://www.pehp.org/medsup) to read *Medicare Basics*, a practical introduction to your Medicare Options. Also, PEHP offers free one-hour presentations throughout the state about Medicare and PEHP's Medicare Supplement plans; visit [www.pehp.org/medicaremeetings](http://www.pehp.org/medicaremeetings) to see dates and locations.



# Taxes

- » Federal and state
- » Tier 1 partial lump-sum option
- » Withholding
- » Required minimum distributions at
  - › 70½ or 72
  - › Roth conversions?



Preparing to Retire » Taxes

## Income Tax Planning

Consider ways to minimize your income taxes as you take your retirement income. A little awareness and planning can go a long way in helping you keep more of the money you've worked throughout your career to earn.

### To Do

#### Get Help With Your Taxes

It may be wise to work with a tax professional when preparing your tax return. URS does not endorse or recommend specific tax advisors. The AICPA is the professional trade organization for CPAs. Search for a local CPA by visiting [www.aicpa.org](http://www.aicpa.org) and searching "find a CPA."



#### Your Retirement Income and Taxes

URS pension and savings plans (401(k), 457(b), and Traditional IRA) are subject to state and federal income tax. Qualified distributions from Roth IRAs, however, are not. Good news: Your retirement income is not subject to FICA tax (Social Security and Medicare tax). When you withdraw retirement income, remember to minimize taxes and any applicable penalties. For instance, it may be beneficial to spread your savings plans distributions over several years to soften the tax impact. Some years, it may be better tax-wise to withdraw from a 401(k) or other tax-deferred plan, while other years it may be beneficial to withdraw from a tax-free resource like a Roth IRA.

#### Partial Lump Sum Option

URS members in the Tier 1 systems are eligible for the Partial Lump Sum Option (PLSO) at retirement. You have the option to receive a lump-sum payment equal to 12 months or 24 months of your lifetime monthly retirement benefit. By choosing to receive a lump-sum payment, you accept a permanently reduced lifetime monthly benefit. Your PLSO payment is fully taxable at the state and federal level if the PLSO is paid directly to you. However, to defer paying immediate taxes on your PLSO payment, you may roll over all or a portion of your PLSO to a URS 401(k) Plan.





# Is This Your Future?

**49 hours a week of TV\*.**

It could be you if you're not proactive in creating your retirement lifestyle.





# Time

» Best use

› Lifestyle questionnaire

» New buddies

» Council on aging

» PEHP lifestyle discounts



Preparing to Retire » Lifestyle & Health

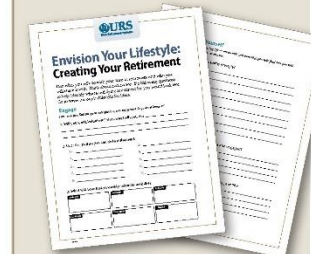
## Enjoying Your Retirement

Are you ready for the lifestyle challenges retirement presents? Begin preparing to fill your time in meaningful ways, or you might find yourself awash in a sea of free hours. Go to [www.urs.org/us/lifestyle](http://www.urs.org/us/lifestyle) for tools and tips for creating a healthy, happy retirement lifestyle.

### To Do

#### Ask Yourself a Few Questions

Take our online questionnaire to help you start thinking about what you want out of retirement and how you'll get it. Go to [www.urs.org/us/lifestyle](http://www.urs.org/us/lifestyle).



#### County Council on Aging

Many counties in Utah offer a variety of services through a county council on aging (check with your county office for details). Common services may include home care, meals on wheels, active aging programs, legal services, transportation, and Medicare education programs. The State of Utah provides additional aging services. Find information on those services and senior centers throughout the state at [www.daas.utah.gov](http://www.daas.utah.gov).

**2 Big Questions**  
to answer before you retire  
**How will I spend my time?**  
**Who will I spend my time with?**

#### PEHPplus Healthy Lifestyle Discounts

If you have a PEHP Medicare Supplement plan, you and your dependents are eligible for PEHPplus. Save on various healthy lifestyle products, such as discounted gym memberships, vision and hearing resources, and more. Go to [www.pehp.org/plus](http://www.pehp.org/plus).

[www.urs.org/us/lifestyle](http://www.urs.org/us/lifestyle)

# Retirement Redux

- » Post-retirement rules
- » Savings plan impact
- » Social Security impact
- » Taxes



Preparing to Retire » Post-Retired Employment

## Returning to Work

Think you might return to work for an employer who participates with URS after you've retired? Rules for post-retirement employment are complicated. Call us at 801-366-7770 or 800-695-4877 to make sure your pension isn't in jeopardy.

### Within 60 Days

Your retirement benefit will be canceled. You'll return to active status and earn additional service credit, if you're eligible.

### After 60 Days and Within One Year

Your retirement benefit will continue only if:

- » You don't receive any employer-provided benefits, including, but not limited to: medical, dental, paid time off, sick leave, other insurance benefits, excluding workers' compensation.
- » Your salary is limited to the lesser of \$17,000 (as of 2020) or half of your final average salary (based on your retirement benefit calculation) during a calendar year.

### After One Year

If you meet the separation requirement, you choose to either keep receiving your retirement benefit or to cancel it and earn additional service credit. If you choose the latter and are re-employed for at least two years, a separate benefit will be calculated based on your new service and salary at the time of your second retirement. Your original retirement benefit and the new retirement benefit will be combined. To meet the separation requirement, you must not work for any URS participating employer (including part-time and contract arrangements) for 12 consecutive months.

### To Do

#### Consider Your Savings Plans

You may have to stop taking withdrawals from your retirement savings plans if you return to work and are not at an eligible age. Call us if you have questions: 801-366-7720 or 800-688-4015.





# URS Resources

- » Account management
- » Beneficiary updates
- » Newsletters
- » Documents & tax information
- » COLA
- » Address change
- » Bank change
- » Retiree webinars



Preparing to Retire » Stay Engaged With URS

## Keeping in Touch With Us

Stay engaged with URS. Log in regularly to your myURS account at [www.urs.org](http://www.urs.org). For your security, keep an eye on your records and let us know immediately if anything doesn't look right. Log in at least once a year to prevent your delivery preferences resetting to paper.

### To Do

#### Be Cautious of Third-Party Advisors

Is an outside advisor recommending financial moves involving your URS benefits? We don't discourage members from using third-party advisors. However, be cautious of any such advisor who claims to represent URS or have expertise in URS benefits. To make sure you're acting in your best interests, talk to us first before making any decisions about your retirement benefits or moving your money out of URS Savings Plans. Call 801-366-7720 or 800-688-4015.

#### Cost-of-Living Adjustment (COLA)

As the cost of living rises, so will your pension benefit. The URS COLA is calculated each January based on the previous year's Consumer Price Index (CPI) as determined by the U.S. Bureau of Labor Statistics. You'll be eligible for the COLA on the anniversary of your retirement date. We calculate your COLA based on the average monthly change in the CPI. It's based on your original retirement benefit amount and is noncompounding. See the current year's COLA and learn more at [www.urs.org/us/cola](http://www.urs.org/us/cola).



#### Look for Retiree Newsletter

*Cycles* is our yearly retiree newsletter. Look for the latest issue each summer in your mailbox or at the Publications page at [www.urs.org](http://www.urs.org).

#### Address Change? Let URS Know

Planning a big move? Please let us know your new address as soon as you know it. Keeping us in the loop ensures you get all the information and benefits we provide.

Make the address change at myURS at [www.urs.org](http://www.urs.org).

# Covid? Smovid

- » Retirement education and planning
- » Individual retirement planning sessions **still going** (video or phone)
- » Retirement group presentations **still going** (video)



# Your Feedback?

**Talk with your URS Retirement Planning Advisor**

# Auto Enrollment

- » Nudge from an employer to prepare employees for retirement
- » It's pretty good policy, like promoting fruit and vegetables over junk food in school cafeteria lines
  - › No cost for the employer, big plus for your employees
- » Currently URS has 13 agencies taking advantage of auto enrollment
- » To get started, ask your URS Retirement Planning Advisor
  - › (or call 801-366-7470)



Utah Retirement Systems

**Trust • Commitment**  
**Value • Innovation • Excellence**