

Retirement for Faculty and Administrators

Professional Development Day

January 5, 2011

Therese Mullins, Presenter

Agenda

- Retirement income
- Severance and other separation payments
- Letter of retirement
- Insurance
- Health Care Savings Plan
- Payroll and Misc Info

RETIREMENT INCOME

- Where are your retirement savings and investments?
- How much do you have?
- What are the distribution options (how will the money be paid out to you)?
- What will your net income be after taxes?

Mandatory Retirement Plans

- Mandatory Plans – you have one or more of the following:
 - Teachers Retirement Association (TRA)
 - Individual Retirement Account Plan (IRAP) – administered by TIAA-CREF
 - Minnesota State Retirement System (MSRS)
 - Unclassified Plan
 - General Plan
 - Supplemental Retirement Plan (SRP) – administered by TIAA-CREF
 - You and the university have contributed the required percentage of your gross pay
 - Do you have other Minnesota public pension plans?
 - PERA
 - Other
- } Eligible for combined service annuity?

TRA and MSRS

- Eligibility
 - TRA and MSRS General Plan – If you have at least 3 years of retirement service credit you are vested and eligible for an annuity
 - MSRS Unclassified Plan – You may collect benefits at age 55 or older, regardless of length of service
- Amount of annuity
 - See your annual statement from TRA or MSRS each year
 - Access to account online at
 - TRA: <http://www.tra.state.mn.us>
 - MSRS: <http://www.msrs.state.mn.us>
 - Request estimates from TRA or MSRS any time

TRA

- Annuity options
 - No Refund
 - Guaranteed Refund
 - Monthly annuity is paid to you until your death
 - If you die before receiving total amount you paid into TRA, your beneficiary is paid the remaining balance
 - 15 Year Guaranteed
 - Monthly annuity is paid to you until your death
 - If you die before receiving annuity for 15 years, your beneficiary receives the monthly for the remainder of the 15-year period

TRA, cont.

- Annuity options, cont.
 - Survivorship
 - Monthly annuity is paid until both you and your joint annuitant are deceased
 - If you die before joint annuitant, your joint annuitant continues to receive a percentage of the monthly annuity
 - 100%
 - 75%
 - 50%
 - If joint annuitant dies before you, your annuity increases (“bounces back”) to the No Refund annuity

TRA, cont.

- Calculation of annuity
 - Age, years of service, and high-5 salary determine amount of monthly annuity
 - Spouse/Joint Annuitant’s age is factored in if you choose one of the Joint-and-Survivor annuity options
 - Annuity reduced if benefits begin before full retirement age, unless you qualify for Rule of 90

TRA, cont.

- Calculation of annuity, cont.
 - Tier I method
 - 1.2% each year of first 10 years service prior to July 1, 2006
 - 1.4% each year of first 10 years service on or after July 1, 2006
 - 1.7% for each year over 10 years prior to July 1, 2006
 - 1.9% for each year over 10 years on or after July 1, 2006
 - This is the calculation method used for Rule of 90
 - This method does not apply to anyone hired after June 30, 1989
 - Tier II method
 - 1.7% for each year of service prior to July 1, 2006
 - 1.9% for each year of service on or after July 1, 2006
 - If you were hired before July 1, 1989, TRA will calculate your annuity using both methods and will automatically give you the better of the two

MSRS

- Annuity options
 - Single Life
 - Monthly annuity is paid to you until your death
 - If you die before receiving total amount you paid into MSRS, a beneficiary is paid the remaining balance
 - 15 Year Period Certain and Life Thereafter
 - Monthly annuity is paid to you until your death
 - If you die before receiving annuity for 15 years, your beneficiary receives the balance
 - Monthly for the remainder of the 15-year period, or
 - In a lump sum if paid to your estate

MSRS, cont.

- Annuity options, cont.
 - Joint and Survivor
 - Monthly annuity is paid until both you and your joint annuitant are deceased
 - If you die before joint annuitant, your joint annuitant continues to receive a percentage of the monthly annuity
 - 100%
 - 75%
 - 50%
 - If joint annuitant dies before you, your annuity increases (“bounces back”) to the Single Life annuity

MSRS, cont.

- Calculation of annuity
 - Unclassified Plan
 - Your account balance, age, and life expectancy based on actuarial tables determine amount of monthly annuity
 - Spouse/Joint Annuitant’s age is factored in if you choose one of the Joint-and-Survivor annuity options
 - General Plan
 - Age, years of service, and high-5 salary determine amount of monthly annuity
 - Spouse/Joint Annuitant’s age is factored in if you choose one of the Joint-and-Survivor annuity options
 - Annuity reduced if benefits begin before full retirement age, unless you qualify for Rule of 90

MSRS, cont.

- Calculation of annuity – General Plan, cont.
 - Step method
 - 1.2% each year of first 10 years service
 - 1.7% for each year over 10 years
 - This is the calculation method used for Rule of 90
 - Step method does not apply to anyone hired after June 30, 1989
 - Level method
 - 1.7% for each year of service
 - If you were hired before July 1, 1989, MSRS will calculate your annuity using both methods and will automatically give you the better of the two

IRAP and SRP

- The IRAP and SRP are defined contribution plans covered under section 401(a) of the Internal Revenue Code
- Participants are immediately and fully vested
- A variety of distribution options are available
 - Find information at <http://www.tiaa-cref.org/mnscu>
 - Discuss options with TIAA-CREF
- Some deadlines or restrictions on distributions may apply depending on the investment funds you have selected

Deferred Compensation Plan

- Deferred Compensation Plan (MNDCP)
 - This is a voluntary retirement plan covered under section 457 of the Internal Revenue Code
 - The plan is currently administered by MSRS, with record-keeping handled by ING
- Flexible distribution options
 - Full or partial withdrawals, periodic payments, fixed annuity payments
 - Combination of partial, periodic, and fixed annuity payments
 - Rollover
 - From another eligible plan into Deferred Comp, or
 - From Deferred Comp into another eligible plan
- Distributions can begin as soon as 30 days after employment ends
- Check with MSRS about required tax withholdings on Deferred Comp distributions

Tax Sheltered Annuities

- Tax Sheltered Annuity (TSA)/403B
 - This is a voluntary retirement plan covered under section 403(b) of the Internal Revenue Code
 - Current accounts are administered by TIAA-CREF
 - Employees might have older account(s) with
 - discontinued MSU and MnSCU vendor(s)
 - previous employers
- Locate account statements and contact plan administrators for information and assistance

Social Security

- Review your annual statement
 - Check for errors
- Contact Social Security or visit their web site
1-800-772-1213 or <http://www.ssa.gov>
 - How and when to apply for Social Security benefits
 - How and when to apply for Medicare
 - Cost of Medicare Part B

Meet with Your Retirement Plan Counselor

- Meet with a TRA, TIAA-CREF, or MSRS counselor before submitting your letter of retirement
 - What is your estimated annuity or distribution options?
 - Is there an optimal date for you to retire (e.g., do you reach Rule of 90 under TRA)?
 - How and when do you submit an application for benefits?
 - When can you expect to receive your first payment?
 - What taxes will be withheld?
 - Do they need anything from you?
 - Birth certificates
 - Marriage certificates
 - Divorce info
 - Other beneficiary information
- MSRS administers the Health Care Savings Plan (HCSP) and can provide information about and help with this account

Review Your Investments

- **Meet with a financial professional to review your current investments**
- **Reallocate your investments if necessary**
 - **These first two items should be done periodically throughout your career and possibly even after retiring**
- Consider maximizing your contributions during your last few years of employment – check into catch-up provisions
- Start planning if you want to do a rollover into or out of IRAP, SRP, Deferred Comp or TSA after retirement

Retirement Plan Contacts

- Teachers Retirement Association (TRA)
1-800-657-3669
- TIAA-CREF
1-800-682-8969 for:
 - Individual Retirement Account Plan (IRAP)
 - Supplemental Retirement Plan (SRP)
 - Tax Sheltered Annuity (TSA)/403B Plan
- Minnesota State Retirement System (MSRS)
1-800-657-5757 for:
 - MSRS General Plan and Unclassified Plan
 - Deferred Compensation Plan
 - Health Care Savings Plan (HCSP)

Separation Payments

- Vacation Payoff – MSUAASF and Administrators
- Severance Pay
- Separation Incentives
- NOTE: unused holidays cannot be paid off

- THESE CAN CHANGE WITH EACH NEW BARGAINING AGREEMENT OR PERSONNEL PLAN

Vacation Payoffs

- Payoff of unused vacation up to maximum allowed
 - 272 hours max per MSUAASF bargaining agreement
 - Amount up to 120 hours paid in cash
 - Amount over 120 hours to HCSP
 - 34 days max per Administrators Personnel Plan
 - Paid in cash
- Payment made two weeks after final paycheck
- May put part into Deferred Comp or TSA/403B plan if not required to go into HCSP

Severance Pay

- Payoff of a percentage of unused sick leave
- Eligibility and calculation method is based on employee's bargaining agreement/personnel plan in effect at the time of retirement
- Most severance payments to retirees go into HCSP
- Payment is made two weeks after final paycheck
- May put part into Deferred Comp or TSA/403B plan if not required to go into HCSP

Severance Pay Calculations per 2009-2011 Plans

- MSUAASF
 - 45% of up to 1,000 hours of unused sick leave
 - Multiplier increases 1% for each year over 25 years service up to max of 50%
 - All severance deposited into HCSP
- IFO
 - 40% of up to 125 days of unused sick leave
 - Multiplier increases to 45% with 25 years service and increases 1% for each year over 25 years service up to max of 50%
 - Deposited into HCSP if \$500 or more
 - Paid in cash if less than \$500

Severance Pay Calculations per 2009-2011 Plans, cont.

- Administrators
 - 40% of unused sick leave not to exceed 130 days, or
 - 50% of unused sick leave not to exceed 125 days if administrator elected this option in 1995
 - Deposited into HCSP if \$5,000 or more
 - Paid in cash if less than \$5,000

Incentives

- Must meet barg agreement/personnel plan requirements:
 - Age
 - years-of-service
 - notification deadlines
- HR can help you determine your eligibility
- Cannot put any Early Notice or Early Separation Incentive pay into Deferred Comp or TSA/403B

Early Notice Incentives per 2009-2011 Plans

- IFO: 2-step salary increase
 - Notification by October 15 for retirement no earlier than end of spring semester but before start of next fall semester, or
 - By January 15 for retirement at end of following fall semester
- MSUAASF: 5% salary increase
 - Notification at least 180 days but no more than 365 days in advance
- Administrators: 5% lump sum payment
 - Notification at least 9 months in advance

Early Separation Incentives

- Under current IFO and MSUAASF agreements
 - 100% of base for 15 years of service and at least age 55, or
 - Subtract 10% for each year over age 55 if more than 15 years service
 - Administration determines whether or not to approve MSUAASF ESI – retiree must submit written request for ESI
- May have different notification deadlines than the Early Notice Incentive
- IFO ESI goes into HCSP in two payments or is paid in one cash payment if under \$10,000
- MSUAASF ESI is paid in two cash payments or one cash payment if under \$10,000
- Also receive deposit into HCSP equivalent to one year's worth of employer contribution toward health insurance

Submit Letter of Retirement

- What should the letter include?
 - state that you are **retiring** and last date of employment – employment ends on your last day of work
 - cannot use vacation to remain on payroll/extend insurance
 - include your signature and the date you submit the letter
- Check barg agreement/personnel plan for notification deadlines
- Submit letter to your supervisor/dean and send a copy to your vice president, your department chair (if applicable) and to HR for your personnel file
- If you submit letter to president, be sure to provide copies to others listed above

Continuing Insurance Coverage

- Coverage remains in effect through the end of the month in which employment ends
- Eligible retirees may continue health and dental coverage at their own cost for as long as they wish
- Spouse
 - May continue coverage as long as desired if retiree has continued coverage
 - Has option to continue coverage under COBRA for limited period of time if retiree does not continue coverage
- Also have options to continue life insurance and long term care insurance
- Meet with DDIR (Therese) within last 60 days of employment
- SEGIP will also send COBRA notice – do not elect COBRA if you have applied for retiree coverage within 30 days of retirement

Retiree Insurance Eligibility

- Eligibility to continue coverage as a “regular” retiree
 - 65 or older at the time of retirement, and
 - enrolled in both Medicare Parts A & B, and
 - eligible for a retirement annuity
- Eligibility to continue coverage as an “early” retiree
 - under age 65, and
 - five years of allowable pension service or meets the service requirement of the collective bargaining agreement or plan, whichever is greater, and entitled at the time of retirement to immediately receive a retirement benefit or an annuity under a retirement program sponsored by the state or such organization of the state
 - **-OR-**
 - Is at least age 50 with 15 years of state service
 - **-OR-**
 - Has 30 years of service time in MSRS General Fund or TRA

2011 Monthly Health Insurance Rates

- Retiree under age 65 \$447.28
 - Spouse under 65 and/or child(ren) \$868.06
 - Retiree/Spouse age 65 or older (no children)
 - BCBS Coordinated Plan \$301.91*
 - HealthPartners Freedom Plan \$241.80*
 - PreferredOne Ucare for Seniors \$241.00*
- *per person
- Do some comparison shopping if you and your spouse are 65 or older
 - You may be eligible to purchase a Medicare Supplement
 - You may also need to purchase a Medicare Part D prescription drug plan

2011 Monthly Dental Insurance Rates

- State Dental Plan – Delta Dental
 - Retiree only \$26.62
 - Family [retiree + spouse and/or child(ren)] \$78.70

- HealthPartners State of MN Dental Plan
 - Retiree only \$27.38
 - Family [retiree + spouse and/or child(ren)] \$81.00

Continuing Insurance

- Submit *Request for Continuation of Coverage Upon Retirement* form to HR
 - Up to 60 days prior to retirement
 - No later than 30 days following retirement
- Enroll in Medicare Parts A and B if 65 or older
 - Submit application about 60 days prior to retirement
 - Take effect the month following your retirement or the month you turn 65, whichever is later
 - Health insurance carrier will send additional enrollment forms for health plan and prescription drug plan if 65 or older
- Do not enroll in any other Medicare Part D plan – it is included in the 65+ health plans
- Carriers will bill you

Health and Dental Insurance

- Option to switch health and/or dental plans during last 60 days
 - Requires Application for Basic Coverage
 - Change takes effect 1st of month following retirement
- Coordinated Plan required if 65 or older and residing outside MN
- May switch plans during Open Enrollment
- If you drop coverage, you cannot re-enroll – not even during Open Enrollment
- You will receive a certificate of creditable coverage to give to Medicare so you are not penalized for late enrollment in an individual Part D plan

Life Insurance

- Basic and Manager's Life Options
 - Continue up to 18 months at group rate
 - May convert to individual policy
- Additional Employee and Spouse Life Options
 - Continue up to age 65 to qualify for paid-up benefit of 15% of coverage that has been in force:
 - For at least 5 years, and
 - To age 65 or retirement, whichever is later
 - May convert to individual policies

Disability, AD&D, and LTC

- Disability and AD&D coverage cannot be continued after retirement
- Review disability coverage to determine if you should make any changes prior to retirement
- CNA will bill for LTC insurance after paychecks cease
- Get more info about retiree insurance from Minnesota Management & Budget
 - www.mmb.state.mn.us/ret
 - (651) 355-0100

MDEA and HRAs

- MDEA options
 - Cease participation on date of retirement, or
 - Continue on after-tax basis through December 31, or
 - Request pre-tax lump-sum deduction before retirement to continue participation through December 31
- State HRA
 - Continue to use until depleted; admin fee may apply
 - Retirees may qualify for future contributions if still enrolled in Advantage Health Plan

MDEA and HRAs, cont.

- MnSCU HRA options
 - Elect Alternative Coverage, or
 - Elect COBRA, or
 - Allow account to lapse
 - Unused balance does NOT roll over to HCSP after retirement
- Benny™ Cards
 - Continue to use until MDEA and HRA accounts are depleted or participation ends, whichever occurs first
- Get more info from Eide Bailly
 - www.eidebaillybenefits.com/som
 - 1-800-300-1672

Health Care Savings Plan (HCSP)

- \$250 Employer contribution at retirement plus other applicable contributions (e.g., severance pay)
- Tax-free account, invested in SBI funds
- Uses
 - health, dental, and long-term care insurance premiums
 - other out-of-pocket medical and dental expenses
 - for yourself, your spouse, and eligible dependent children
- The only contributions allowed are those negotiated in barg agreements/personnel plans - regulations do not allow optional or voluntary contributions
- May apply to waive HCSP if you can prove you will not have out-of-pocket expenses after retirement
- HCSP is administered by MSRS

HCSP, cont.

- Submit reimbursement requests
 - Forms available on MSRS web site, <http://www.msrs.state.mn.us/>
 - Two options for monthly insurance premiums:
 - Pay insurance company and then submit reimbursement request form to HCSP with copy of billing statement attached
 - Set up automatic payment of premiums from your checking account and automatic reimbursement from HCSP to your checking account
 - Other qualified expenses:
 - Submit reimbursement request form to HCSP
 - Attach copies of receipts or billing statements

Payroll and Self-Service Web Site

- You will continue to have access to the Employee Self-Service web site
 - User ID remains the same (a new ID will be issued for insurance purposes only)
 - Self-Service password expires every 60 days
 - Click on "forgot Your Password" to create new password if old one is not working
 - Keep direct deposit account(s) open or change direct deposit on Self-Service if closing accounts prior to final paycheck or leave payoff
 - Excess insurance deductions will be refunded by SEGIP through payroll
 - W-2 will be issued in January of the year following your final paycheck or leave payoff

Other Info

- Make sure to do the following:
 - Submit final time sheet
 - Complete all other departing procedures, including but not limited to:
 - Turn in keys
 - Turn in MavCard and name badges
 - Make sure electronic files are stored in a shared file that others can access
 - Turn in all university property
 - Repay any travel advances
 - Submit address change to HR if moving
- Your supervisor/dean may nominate you for Honored Staff/Emeriti status if you are retiring after at least 10 years of service to the university