State of Alaska
Division of Retirement & Benefits

Planning for Your Future

Presented by Division of Retirement & Benefits

Introduction

This presentation provides an overview of things to consider when planning for your future retirement

Please do not consider this information as financial advice

"Retirement"

It's the culmination of a lifetime of

planning,

preparation

&

saving

A Little Advice

- Whether you are 5 years or 25 years from retirement, it is never too early, or too late, to start planning
- Experts say you will need 85-100% (or more) of your present income to live comfortably in retirement (Your needs may differ)
- There is more involved in retirement than just your monthly pension benefit

Importance of Saving

- Minimum savings for retirement is the percentage that represents one-half your age:
  - At age 36 you should be saving 18%
  - At age 52 you should be saving 26%

Key Planning Areas

- How Much Will I Need?
- Where Will My Retirement Income Come From?
- Where Can I Get Financial Advice?
- How Do I Choose a Planner?
- What Else Should I Consider?
- How Can Retirement & Benefits Help Me?

How Much Will I Need?

Estimate your retirement income needs as follows:

- Total up your expenses in the last year
- Determine what expenses will not occur once retired and subtract from total expense
- Subtract net expense from your gross salary less taxes for last year

This estimates your retirement income needs

10 Ways to Pay for Retirement

1. Pension Plans
2. Tax-Deferred Savings
3. Social Security (Watch out for the Windfall Elimination Act!)
4. Basic Savings or CD's
5. Personal Investment

10 Ways to Pay for Retirement

6. Part-time work
7. Home Equity
8. Annuities or insurance plans
9. Rent or royalties
10. Inheritance

Where Can I get Financial Advice?

Don't get advise from your friends!

- A financial planner can give you advice regarding:
  - ✓ Investments
  - ✓ Insurance
  - ✓ Taxes
  - ✓ Wills & Trusts

How Do I Choose A Planner?

- Talk with family and friends to get a recommendation
- Meet with the financial planner
- Look for a planner who listens to you, and asks questions, rather than tries to "sell" you a product
- A good planner will give you recommendations based on your risk comfort level

How Do I Choose A Planner?

1. Gather names of at least three planners
2. Screen for credentials
3. Understand how the planner is paid
4. Do a background check
5. Ask tough questions
6. Listen to their questions

What Else Should I Consider?

- *Credit Management*
  - Understanding how credit works
  - Federal Trade Commission Credit Reports at: www.ftc.gov
- *Debt Management*
  - Understanding your debt ratio
  - Consumer credit counseling at www.cccsofak.com

How Can
Retirement
&
Benefits
Help Me?

- Benefit education and estimates
- Offer counseling on how your benefits work in conjunction with other State, Federal, and employer offered benefits
- Education on insurance options at retirement
- Payment options for SBS-AP and DCP at termination or retirement
- Information on taxes and penalties for early withdrawal

Securing a Healthy Pension

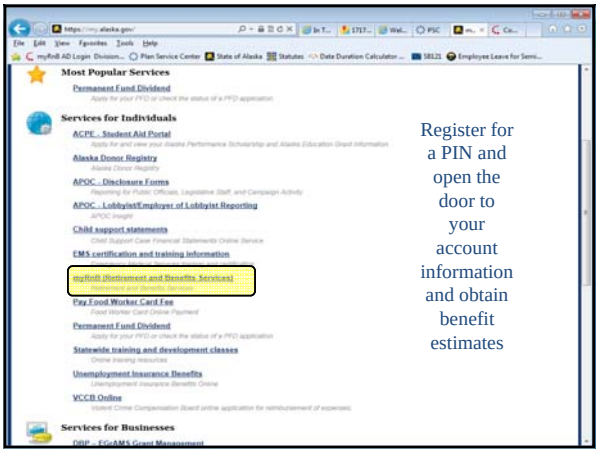
What if I keep working?

PERS Tier I, II & III "all others"			PERS Tier I, II & III "P & F"		
Years	Income	%	Years	Income	%
10	$800	20%	10	$800	20%
20	$1,700	43%	20	$1,800	45%
25	$2,200	55%	25	$2,300	58%
30	$2,700	68%	30	$2,800	70%
35	$3,200	80%	35	$3,300	83%

Average Monthly Salary = $4,000

Benefit Estimates

- All State of Alaska administered plans have benefit estimators at www.alaska.gov/drb
- Social Security benefit estimates can be found at www.ssa.gov
- (Windfall calculations must be requested separately)



Register for a PIN and open the door to your account information and obtain benefit estimates

Division of Retirement & Benefits
website: alaska.gov/drb

PERS Benefit Calculator

PERS Information Handbook

Seminar and Field Travel Schedules

Online Seminar Registration

PERS Newsbreaks

PERS Forms

PERS Statutes

PERS Tiers

PERS is a four tiered system

Tier I--enrolled before July 1, 1986

Tier II--enrolled after June 30, 1986, before July 1, 1996

Tier III--enrolled after June 30, 1996, before July 1, 2006

Tier IV--enrolled after June 30, 2006

PERS Tier I, II, & III

- Guaranteed lifetime benefit
- Benefit determined by formula not contributions
- Provides joint and survivor options
- Provides medical benefits and access to dental, vision, audio and long term care insurance options
- Increased for inflation

Retirement Eligibility

Normal Retirement

Vested and age 55 (Tier I) or age 60 (Tier II & III) or

20 years of membership service-Police/Fire employees

30 years of membership service-"All Other" employees

Retirement Eligibility

Early Retirement

Vested and age 50 (Tier I) or age 55 (Tier II & III)

- Reduction of ½ percent per month for each month under normal age
- Lifetime reduction

Service Purchases

Members may be able to increase their monthly retirement benefit by claiming & purchasing certain types of service credit such as:

- Military service
- Temporary service
- Workers' Compensation LWOP

Insurance Enrollment

Medical Benefits

- Automatic for Tier I members at retirement
- Automatic for Tier II and III members with 30 years service OR over 60 (Must have 10 years credited service for Tier III)
- Annual open enrollment for all other members
- Access to medical for Tier IV

Insurance Enrollment

Optional Insurance

- Dental, Vision, Audio (DVA)
  - Tier I must elect at retirement.
  - Tier II & III may elect at retirement; or during annual open enrollment *if electing medical coverage at the same time*
- Long Term Care (LTC)
  - Enrollment at retirement only (all tiers)

PERS Tier IV

- Investment contribution account
- Provides joint and survivor options
- Provides access to medical benefits including access to dental, vision, audio and long term care insurance options

Other Benefits Available

- Alaska Cost of Living Allowance (COLA)
  - 10% of base benefit to Alaska residents
    - Tier I - at retirement
    - Tier II & III – at age 65 (you must apply)
- Post Retirement Pension Adjustments (PRPA)
  - Issued to eligible retirees annually
  - Based on a percentage of the CPI increase in Anchorage and paid regardless of residence

Social Security

- If you work in a position that does not pay into Social Security, and have less than 30 years of qualifying Social Security earnings, you may be subject to the Windfall Elimination Provision which will reduce your Social Security benefit.
- Benefit estimates received from Social Security do not include the offset-it must be specifically requested. Contact SSA for more information.
  (1-800-722-1213) / www.ssa.gov

Thoughts Behind Investing

- Use an investment mix that fits with your goals, time frame and tolerance for risk
- Rebalance periodically to stay on target
- Increase contributions each year to grow your savings
- Review your investments on a regular basis
- Re-assess your portfolio mix as you get closer to retirement

SBS-Annuity Plan

- 6.13% Employee Contribution per pay period
- Employer matches 100% of your contribution
- You control investment of your account
  - Realty Investing©
  - Investment tools through Great-West

Offers

- term certain or life annuity at retirement or termination
- cash withdrawal (taxes and penalty may apply)
- rollover to another qualified plan (no tax or penalty)

SBS-AP Payments

- Must be terminated from employment for 60 days
- Lump sum and annuity payments are fully taxable and may be subject to penalty
- Two joint and survivor options available
- Can leave funds in account after termination
- Must commence payment at age 70 1/2

Deferred Compensation Plan

- $50 per month minimum
- $17,000 per year maximum (2012) Higher maximum if over age 50
- You control investment of your account
- Payment options include cash withdrawal, periodic or annuity payment, or rollover to qualified plans

Methods to Save

- On-line enrollment anytime
- Adjust contributions as budget allows
- Utilize leave cash-in to maximize contributions
- Use the "catch-up" provision
- Final contribution taken on last payroll check

DCP Distribution Options

- Available 60 days after terminated from employment (may be waived)
- All payments are fully taxable - no early withdrawal penalty
- Two joint and survivor options available
- Rollover eligible (subject to other plan provisions including early distribution penalty)
- May leave funds in account after termination
- Must commence payment at age 70 1/2

Voluntary Savings Plan

- Voluntary Savings Plan is available to PERS members (Tier I, II & III)
  - Enroll anytime
  - Post-tax contributions
  - Minimum of $5 per pay period
  - Maximum of 5% of gross salary per pay period
  - Earns a guaranteed 4.5% interest compounded semi-annually
  - Payment options include: lump sum, life annuity and installment over a designated period

Other Plans

- Basic Savings
  - Savings Accounts
  - Certificates of Deposit
  - Roth IRA
  - Money Market Accounts
  - Other investments
- Tax Deferred Savings
  - Tax Sheltered Annuity Plans (Teachers)
  - Individual Retirement Arrangements (IRA)

Helpful Hints

- Always keep your beneficiary designations current
- Always keep your address current
- If you have experienced a divorce during any of your covered employment, you must submit a court certified copy of your divorce decree and property settlement prior to your retirement date
- Cash on Hand

Goal for Retirement Spending

- Set a goal for spending
- Don't underestimate retirement expenses
- Account for inflation
- Account for rising medical costs
- Plan to spend down 3% to 4% of your retirement savings during the first year of retirement and adjust for inflation each year thereafter
- Plan for the unexpected
- Plan to live 20+ years in retirement

Summary

- The benefits provided to you under PERS will form the basis of your retirement income but will not supply all you needs
- Your PERS will provide you with access to health insurance
- Consider participation in other tax deferred plans and have a personal savings plan to supplement your PERS benefit

Planning is the key to a successful retirement! Start today!

If you would like to set up a follow-up appointment to discuss your benefits in more detail, please let me know

Please be sure to complete your seminar survey

Web Sites

Credit Score – Federal Site

http://www.fdic.gov/consumers/consumer/alerts/facta.html

Financial Brokers Review

http://investor.gov/