

**State of Alaska  
Division of Retirement & Benefits**

**Planning for Your Future**

Presented by Division of Retirement & Benefits



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**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*



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**“Retirement”**

It's the culmination of a lifetime of  
planning,  
preparation  
&  
saving



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### Helpful Tips

- 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**

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### 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%

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### 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?

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### 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



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### 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



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### 10 Ways to Pay for Retirement

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



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## Where Can I get Financial Advice?

**Don't get advice from your friends!**

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



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## 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



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## 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



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## What Else Should I Consider?

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



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How Can  
Retirement  
&  
Benefits  
Help Me?



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- 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



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## Securing a Healthy Pension

What if I keep working?

TRS Tier I & II			TRS Tier III	
Years	Income	%	Years	Employee/Employer
10	\$1,417	20%	10	\$199,480
20	\$2,834	40%	20	\$630,142
25	\$3,719	53%	25	\$1,006,668
30	\$4,604	65%	30	\$1,559,909
35	\$5,490	78%	35	\$2,372,802

Average Base Salary = \$85,000      Average Base Salary = \$85,000  
8% annual yield

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## Benefit Estimates

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

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

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**Division of Retirement & Benefits website:**

[alaska.gov/drb](http://alaska.gov/drb)

TRS Benefit Calculator

TRS Information Handbook

Seminar and Field Travel Schedules

Online Seminar Registration

TRS Newsbreaks

TRS Forms

TRS Statutes



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**TRS Tiers**

TRS is a three tiered system

Tier I - entered before July 1, 1990

Tier II - entered after June 30, 1990

Tier III - entered after June 30, 2006



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**TRS Tier I & II**

- 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



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**Retirement Eligibility**

*Normal Retirement*

Tier I  
**Vested** and age 55

Tier II  
**Vested** and age 60

or  
Any age after 20 years of membership service



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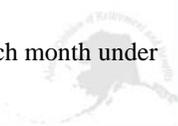
**Retirement Eligibility**

*Early Retirement*

Tier I  
**Vested** and age 50

Tier II  
**Vested** and age 55

- Reduction of 7% to 8% for each month under normal age
- Lifetime reduction



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**Service Purchases**

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

- Military service
- Inactive LWOP
- Workers' Compensation LWOP
- Outside Service
- Unused sick leave at retirement



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**Insurance Enrollment**

Medical Benefits

- Automatic for Tier I members at retirement
- Automatic for Tier II members with 25 years service
- Annual open enrollment for all other members
- Access to medical for Tier III



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**Insurance Enrollment**

Optional Insurance

- Dental, Vision, Audio (DVA)
  - Tier I must elect at retirement.
  - Tier II 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)



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**TRS Tier III**

- 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
- Provides access to the Health Reimbursement Arrangement account



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## Great-West Retirement Services

### Reality Investing

- Managed Account Service
- Guidance and Advice
- Resources

Rebalancer

Calculator

Counseling/Education

Seminars



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## Other Benefits Available

- Alaska Cost of Living Allowance (COLA)
    - 10% of base benefit to Alaska residents
      - Tier I - at retirement
      - Tier II - 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
- Not available for Tier III members



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



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### 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

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### Savings 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)

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### 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

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### 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



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### Summary

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



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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



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## Web Sites

Credit Score – Federal Site

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

Financial Brokers Review

<http://investor.gov/>

Great-West Retirement Services

[www.akdrb.com](http://www.akdrb.com)



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