

PCC Sylvania Teaching and Learning Centers Present:

## Faculty Federation VP Frank Goulard Explains PERS

This presentation was recorded on 2.12.2007 at the Sylvania Campus TLC. Join Frank Goulard, VP for Grievance and Contract Administration for the Faculty Federation as he demystifies PERS. Responses to Frank's past presentations have been overwhelmingly positive.

This presentation consists of a sound file and a document to view while listening and following along.

[Sound File Link](#) - listen to this while viewing the document.

*(note-this is a streaming Windows Media file. You will need [Windows Media Player 9](#) or later to use it.)*



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# **PERS and Retirement Overview**

Presented by Frank Goulard, 2007

*Purpose:* provide information and educate in order for *you* to better plan *your* future retirement years

- 1) **Employee Categories:** Tier 1-- hired before 1/1/1996  
Tier 2-- hired from 1/1/1996 thru 8/28/2003  
OPSRP-- hired since 8/29/2003

## Recent court cases' results had the following impacts:

- Tier 1 regular accounts in 1999 changed to 11.33% (instead of 20%), 2003 changed to be 8% (instead of 0%). Those changes are already reflected in your PERS 2004 statement. Your 2006 statement will arrive in May 2007.
- Each year, starting in 2003, Tier 1 regular account earns 8%, no more no less.
- No 6% employee contribution to Tier 1 or Tier 2 accounts after 12/31/2003. For all three employee categories, this 6% contribution now goes to your IAP, starting 1/1/2004. Tier 1 and Tier 2's existing regular and variable accounts will continue to change with each year's credited investment returns.

## **RESOURCES:**

PERS Oregon [www.oregon.gov/PERS](http://www.oregon.gov/PERS), including benefit estimate calculator  
Social Security [www.ssa.gov](http://www.ssa.gov), including benefit estimate calculator  
[www.aarp.org](http://www.aarp.org) [www.retirementliving.com](http://www.retirementliving.com)  
[www.retireplan.about.com](http://www.retireplan.about.com) [www.thirdage.com/money](http://www.thirdage.com/money)  
[www.hsainsider.com](http://www.hsainsider.com) [www.fireseeker.com](http://www.fireseeker.com)  
[www.clarkhoward.com](http://www.clarkhoward.com) [www.stretcher.com](http://www.stretcher.com)  
[www.bankrate.com](http://www.bankrate.com) [www.irahelp.com](http://www.irahelp.com)  
[www.fincalc.com](http://www.fincalc.com)

*"Order and simplification are the first steps toward the mastery of a subject."  
-Thomas Mann*

**2) Retirement Benefit and its calculation:**

**A plus B is your benefit from working for a PERS-covered employer;  
C is your USA Social Security benefit.**

A. Tier 1 and 2, receive the highest of:

- Money Match Method: Actuarial factor(“AEF”) \* Account balance \* 2
- Formula Method: Yrs of service\*Final Average Salary (“FAS”)\* .0167  
For unreduced benefits: Tier 1- 58 yrs of age, and Tier 2- 60 yrs of age, or 30 yrs of service. Otherwise, 8% reduction/yr for early retirement.
- Formula plus Annuity Method, Tier 1 only, if hired before 8/21/1981:  
(yrs of service \* FAS\* .01) + (account balance \* AEF)

(Additional minor adjustments: pre-1991 state income tax remedy, waiting time purchase, sick leave, variable account employer match in money match method)  
(Payout choice of all annuity, lumpsum with annuity, or total (double) lumpsum; annuity options 1, 2, 2A, 3, 3A. Lumpsum can be IRA rollover or up to 5 annual installments) Use estimator at [www.oregon.gov/PERS](http://www.oregon.gov/PERS)

OPSRP:

- Formula Method: yrs of service \* FAS\* .015  
For unreduced benefits: 65 yrs of age, or age 58 w/ 30 yrs of service.  
(Fewer payout choices: all annuity, with full and half survivor options)

<i>Summary of A above:</i>	<b><u>Tier 1</u></b>	<b><u>Tier 2</u></b>	<b><u>OPSRP</u></b>
	Formula	Formula	Formula
	Money Match	Money Match	
	Formula+Annuity		

B. IAP for Tier 1, 2, and OPSRP employees, which is in addition to A above:

- Distributed to members upon retirement in a lumpsum (can rollover to an IRA), OR, monthly, quarterly, or annually over a 5-, 10-, 15-, or 20-yr period. eg: \$36K salary in 2004, 3%ann cola, 3%ann step first 10yrs, 8% rate; then IAP acct balance ~ \$14K(5yrs), 40K(10yrs), 80K(15yrs), 143K(20yrs), 239K(25yrs), 385K(30yrs).

C. Social Security [www.ssa.gov](http://www.ssa.gov)

- Early retirement as early as 62 vs. full retirement age (66 for those born 1943-1954) vs. delaying to age 70: benefits reduction of 5 to 6.67%/yr for early retirement, benefits increase of 8%/yr to delay.
- If wages >\$12,960/yr between 62 and full ret age, then additional benefits reduction. No reduction beginning month of full ret age.
- 50% of benefit is taxable if joint adjusted gross income is \$32,000 to \$44,000; up to 85% is taxable if joint AGI is above \$44,000.
- Medicare begins at age 65, Part A hospital insurance included. Part B doctor, outpatient, etc is addnl \$98/mo premium. Optional supplemental policy, eg PERS Retiree health insurance \$60-\$120/mo. Govt prescription plan is Part D, \$38/mo premium.

### 3) When and how should I retire?

-Considerations

- Health Insurance & Expenses (premium, out of pocket cost, Rx)
- Housing Expense
- Children or others who are dependent on you
- Other major expenses both foreseen and unforeseen: next home, home repairs, transport (car, boat, plane, etc), travel/vacations, hobbies.

-Develop a retirement budget of 8 expense categories, for future years & dollars:

- \*Health
- \*Food
- \*Transportation
- \*Reading & Education
- \*Housing
- \*Apparel & Services
- \*Entertainment
- \*Income Taxes, federal and state

-Retirement Income: “the three-legged stool” of PERS pension, Social Security ([www.ssa.gov](http://www.ssa.gov)), and Other Investments (qualified accounts such as IRA, 401k, 403b “TSA”, 457, and nonqualified accounts).

-Spreadsheet assets, income, and total expenses from present to future years. Itemize your last two calendar years of expenses for future budgeting purposes. Take into account future inflation and other changes. Include a proper annual withdrawal percentage in retirement years, eg up to 4%. Be vigilant in early yrs.

**TO DO:** Personalize this to *your* situation & goals. Be active & fit in all realms.

Create a 3-page document with income/assets vs expenses, and any notes:

page 1: your current monthly budget with categories,

page 2: end of year annual columns for remaining fulltime working years,

page 3: end of year annual columns for retirement years with projections.

This 3-page document will help you keep a focused financial map and goal.

(below is a broad overview of pages 2 & 3)

ASSETS	End of 2006	End of 2007-retire	ASSETS	2008	2009
PERS Tier1/2, Account balance x 2			PERS –ee lumpsum		
IAP			IAP		
403b,457,IRAs			403b,457,IRAs		
Nonqualified accts/savings			Nonqualified accts/savings		
Home equity			Home equity		
<b><u>Assets TOTAL</u></b>			<b><u>Assets TOTAL</u></b>		
			PERS –er annuity		
			Early ret, soc security		
			Work		
			<b><u>Income TOTAL</u></b>		
			8 expense categories		
			<b><u>Expense TOTAL</u></b>		