Education | Healthcare | Public Services

Retirement at a Glance: Securing Your Future

Key Pension Resources

- AFT Center for Workers' Capital—Learn more about the AFT's work to protect retirement security and to educate trustees and union members on pensions, responsible investments and retirement issues.
- Public Retirement State Fact Sheets from the **National Institute for Retirement Security**. Look up your state pension plan to learn several key facts about your state pension, including the average pension benefit; the average amount of pre-retirement income your pension will replace; how your pension supports the local economy and more.
- National Public Pension Coalition offers great resources, videos, a tracker for state legislation on pensions, and helpful fact sheets for learning more about pensions. If you're building a pension committee in your union, this is a great place to learn more.

Planning for Retirement: Income and Healthcare

1. **Defined-Benefit Pension Plan:** Am I eligible? Am I vested? When can I retire? What is the benefit formula, and how much do I get per month?

Answer: Find your Summary Plan Description (SPD), call the Pension Office or your local union. You typically vest after five years, and the benefit is a percent of salary based on years of service and age.

Most pension funds offer free consultations to estimate your benefits in retirement and talk through options, like survivor

Become a Pension Activist

Get involved in your union retirement committee!

- Learn more. Use these resources and those offered by your fund.
- Attend board meetings and follow current issues. Many meetings are viewable online.
- Share what you learn with co-workers. Create a retirement update in newsletters or email and help others get on track for retirement.
- Get to know your trustees. Raise issues of concern; ask questions.
- Speak at board meetings on issues you care about.

benefits. Schedule those now and again when you’re close to retiring to learn what your retirement income will be.

Verify that you’ve received service credit for all the qualifying years and months you’ve worked. Fix any discrepancies in service credit right away.

2. **Defined-Contribution 401k/403b Type of Retirement Plan:** Am I contributing the maximum? Is there an employer match? What is my account balance? What are the Investment options and fees?

Answer: Find your SPD, call the plan administrator, set up an online account to view your balance and options, check your payroll stubs for your contribution percent. Employee contributions are 100 percent vested immediately.

At least annually, check on your investment fees and returns and consider adjusting as needed.

3. **Social Security Benefits:** When can I get my benefit? How much will I get?

Answer: Set up an account on ssa.gov. Have your Social Security number ready. Social Security starts at age 62 unless you are disabled.

Pension Consultation Questions

- What is my tier and benefit formula?
- How long do I need to work to earn a full retirement benefit?
- How much of my current income will my pension replace?
- Can I buy service credit to retire earlier?
- How does my pension benefit change if I retire early?
- Am I eligible for a survivor benefit, and how would that change my monthly income?
- Does the pension offer a supplemental defined-contribution option I could pay into to save more for retirement? Is there an employer match?

4. **Retiree Healthcare Insurance:** Does my employer offer it? Is it tied to my pension eligibility? Does it start before Medicare at age 65?

Answer: Find your SPD and call the Pension/Benefits Office.

5. **Medicare:** How does it work? When do I start? What are my options?

Answer: The ssa.gov website has information on Medicare as it’s linked to Social Security. Find out the answer to No. 4 first because you may have coverage from your employer before Medicare, prior to age 65, and if you sign up for Medicare at age 65, you may also have coverage through your employer’s supplemental medical/drug plans. If not, then you may need to purchase a Part D (drug) plan, a Medicare supplement plan when you sign up for Medicare Parts A and B (both require premiums) or you might consider a Medicare Advantage Option at age 65 either individually or through your employer.

Glossary of Benefit Terms: *Defined Benefit Pensions*

Benefit Formulas determine what a participant receives at retirement age. The benefit formula is usually a percentage that is referred to as a "multiplier" that is multiplied by the years of service and is then multiplied by a final average salary amount, typically ranging from 1 to 3 percent per year of service.

Normal Retirement is the age and years of service requirement when the pension plan is required to offer an unreduced benefit (usually at age 65*).*

Early Retirement allows a participant to retire before a normal retirement age and at a reduced benefit amount, typically reduced as a percentage for each year below the normal retirement age and with a certain number of years of service required (usually at *ages 55 to 64)*. *The benefit level can be reduced as a percent per year prior to normal retirement age*.

Unreduced Early Retirement allows participants to retire at a certain age below normal retirement age where the benefit amount is not reduced prior to normal retirement age, and a longer tenure of years of service are required (for example, 30 years).

Vesting is the minimum number of years that a participant must work to qualify for any benefit payable at a future retirement date.

Benefit Tiers stipulate different benefit formula percentages, also known as *accrual rates,* based on the date the participant was hired or for a certain date when the benefit formula changes going forward (for example, after 2020 the multiplier is 2 percent but the benefit before that date was 3 percent).

Member Contributions as a percentage of payroll (for example, 5 to 15 percent) are often required for vesting and years of service "credit." The employer also contributes a designated amount that is typically higher than the employee contribution percentage.

Survivor Benefits are also provided in case a participant dies before their spouse, then the spouse will receive a pension, typically a reduced amount, for the remainder of the spouse's lifetime. *This may range from 50 to 100 percent of the retiree's benefit preceding death.* Disability benefits are often offered and subject to vesting with an unreduced benefit.

Cost-Of-Living Adjustments (COLAs) are increases in the monthly pension amount after a participant retires to assist them with keeping up with the general inflation related to daily living costs.

Glossary of Benefit Terms: *Defined-Contribution Retirement Plans*

Account Balance: Amount of money in your retirement plan.

Target Date Fund: A product offered by many plans that changes the risk and return of your investments based on an assumed retirement age. The closer to retirement, the less risky the investment (more bonds and cash versus stocks) and vice versa.

Bond fund: An investment option based on corporate debt; much less risky than stock funds.

Retirement Age: At age 59.5, participants can withdraw from their retirement account without a 10 percent penalty or excise tax. Age 72 will graduate up to age 75 in 2033, when plan participants face required minimum distributions, or RMDs, where they must start withdrawing approximately. 4 percent of plan assets annually by law and pay income tax on those withdrawals. The starts of Social Security (62-70) and Medicare (65) should be considered in conjunction with retirement planning and withdrawals.

Loans: Amounts (up to $50,000 and 50 percent of plan account balance) that participants can take out of the plan pre-retirement to use for other expenses such as buying a home, childcare and hardships. Plan participants must pay back the loans after tax with interest over a period of time (five to 20 years).

Rollovers: Because many members have worked for more than one employer and therefore may have multiple retirement accounts, a rollover allows participants to put all of their account balances from multiple employers in one plan to be better able to keep track of their retirement and to reduce the fees (administration and investments) applicable to one plan.

Annual Return: How much your account increased in value on an investment basis for the plan year, not based on contributions. Comparing account balances year by year considers both contributions and investment changes on an annual basis.

Employer Match: A percentage of an employee's contribution that an employer will match, usually between 1 and 6 percent of salary. Sometimes the match is less than dollar for dollar, such as 50 percent of each dollar up to a maximum of 3 to 6 percent of salary. Employees can defer $24,500 per year.

Glossary of Benefit Terms: *Retiree Healthcare*

Retiree Health Insurance: Eligibility for age and service rules could be different (less generous) than the pension requirements, which may require additional monthly costs that could impact the perceived value of aa member's pension benefit.

Medicare: Part A (Hospital), B (Physician services), C (Managed Care "Advantage" Plans) and D (Prescription Drugs). Part A is automatic, but Part B and Part D require active enrollment once you retire.

Medicare Supplement: An insurance policy that a retiree buys to cover the out-of-pocket costs from Part A and B deductibles and coinsurance.

Medicare Advantage: An insurance product where an insurance company is paid by the federal government to provide all parts of Medicare parts A, B and/or D. Benefits often are enhanced or new benefits are added, but retirees must use a specific network of medical providers and have prior authorization requirements.

Employer-Sponsored Coverage: Employers can provide various retiree health options that coordinate with Medicare, like a supplemental or Medigap plan, or can offer a Part D and/or Advantage plans for Medicare-eligible retirees.

Retirement Ages Before and After Age 65: Medicare starts for most people at age 65; however, those who work past 65 may have employer coverage that will be primary and therefore might not be enrolled into Medicare until they retire at a later date. If you wait too long after retiring from your employer and participating in their plan, then you may incur permanent penalties with increased premium for each month you delay. Employer-sponsored retiree Pre-Medicare health coverage can begin as early as age 55.