

Retirement Considerations

This Document is information accumulated by several Firefighters who have gone through the retirement process. This is meant as a working document, as things change in the PERS and OPSERP programs. It is meant as information sharing and gathering and to help guide those who are considering retirement in the near future. It is up to each individual to verify the information below for accuracy in their specific situation. As with any working document, it relies on the input and information of those going through the process to maintain the accuracy of information contained here. It is with lots of effort from Ron Apling and Ivan Mombert that has made this document possible.

Last Revised

February 2018

Factors Effecting the Final Numbers

-The basic calculation used by PERS to figure out your retirement for tier1 and tier 2 is: Final Average Salary X Years of Service X 2%. With Final average salary being a significant factor, you can greatly affect your retirement income by working overtime in your final 3 years of service. PERS bases this calculation on your 3 highest calendar years **OR** the last 36 months of service, whichever is more.

-Sick Leave: Currently there are two accounts for sick leave. There is your city account and your PERS account. Currently, the maximum accrual for the PERS account and the city account is 2500 hours. Sick leave is calculated at 50% of your final balance to be used to calculate your final average salary (FAS). Currently there is no cash value of sick leave for Eugene employees, it is only used to calculate your FAS. It was discovered recently that sick leave has a much higher value than most anticipated. When PERS calculates sick leave into retirement, they are not using your basic hourly rate. The calculation is based on your hourly rate on a 40 hour work week, increasing your hourly rate value. In addition, your 40 week rate is based on your final average salary. This can be very significant if you have spiked in your last years of retirement. One individual estimates his hourly rate for sick leave to be approximately \$70/hour!

-Comp Time and Vacation: Comp Time and Vacation do hold cash value. These balances will also be used to calculate your FAS for Tier 1 people only. To maximize your retirement and FAS, consider maxing your Comp and Vacation just prior to retirement. Although these accounts are not used for FAS figures for Tier 2, there is a benefit to consider. Currently the cash value for maxing out Comp and vacation is roughly \$34,000. You have the option of rolling that money into your deferred comp account, avoiding heavy taxes and boosting your deferred comp account for retirement withdraw.

Estimate Of Benefits

Twice per calendar year, at no charge, you can obtain an Estimate of Benefits. You can request more per calendar year, however there will be a charge. Your request to receive the estimate must be mailed to PERS. When you receive your

estimate, closely check the yearly salaries used to compute your estimate. If a mistake is made in your monthly benefit check and later PERS finds the mistake, you will be responsible to repay any overpayments.

Data Verification

At least one year out from retirement, you should consider submitting a request for Data Verification from PERS. This is basically an audit of all the calculations and verifying the numbers that calculate your retirement. PERS is often slow at completing the audit, however it can keep from mistakes and changes from occurring to your payout.

Payoff Check

-Includes accrued vacation, shift holiday and comp time.

-Paid at adjusted hourly rate (includes EMT and special teams pay) only if deferred.

-Unless deferred (rolled into Deferred Comp) the payoff check is taxed at 41.65%.

(25% federal tax, 9% State tax, 7.65% social security tax)

Deferring Payoffs

During your final 36 months of employment, you are allowed to double up on your contributions to your deferred comp. As of 2018, that amount is \$37,000 annually. A form can be obtained from HRRS to allow the doubling of contributions.

-Form for deferring payoff check can be obtained from the Deferred Comp Company office.

-After filling out the form, even though the company will send it to payroll, follow up yourself and make sure payroll has received it. Consider delivering it yourself.

-City Payroll must have possession of the form in the month prior to retirement.
Example: If your last day of work is June 30th, turn in your form prior to the end of May. Consider 2 months early.

-On the form write “Deferred Payoff Only”. You will probably not want to defer your final regular paycheck.

-When you turn your form in, have it date stamped and ask for a copy.

-2018 max deferred comp contributions:

Under age 50-\$18,500

Over age 50-\$24,000

Less than 3 years to retirement-\$37,000

-The tax rate for funds withdrawn from your deferred comp account is calculated by your total income in the year of withdraw. It is taxed as ordinary income. State rate is 9%, Federal rate is 15% up to \$75,000, and 25% over \$75,000 annual income.

Final Paycheck

-A week or so prior to your retirement day, consider changing your W-4 exemptions to 10. This can be done on the computer by going to “My Employee Information”. This will give you a little more money to get you through until you receive your first PERS check.

-Since we are paid 2 weeks arrears, if you retire on payday, you will receive two final regular paychecks.

-You receive your final paycheck(s) the day you retire.

PERS

-It will very possibly take 90 days after your retirement date to receive your first PERS check.

-Your first PERS check should include your retroactive pay from your retirement date. (3 months of pay).

IAP

After you retire, the money from your IAP account is in addition to your regular PERS check. It will come in a separate check. You also have the option of rolling your IAP balance into your Deferred Comp account. It can be rolled over into retirement or any time thereafter. You have the option of your PERS and IAP checks direct deposited into your bank account.

There are 5 basic options for IAP:

1. You can take it out in one lump sum. You may want to consider rolling it into an IRA or Deferred Comp to avoid major taxes.
2. Withdraw over 5, 10, 15 or 20 years.

Police and Fire Units

If you have not accrued your maximum amount (\$4000) of your P&F units(which is shown in your estimate of benefits), you can write PERS a check when you turn in your paperwork. The amount of your check will be the difference between \$4000 and the amount you have accrued. This is a wise thing to do financially. P&F unit payments are made over a minimum of 5 years, unless payments begin after age 60. If you elect to take them for 60 months, you will receive \$160/month, for a total of \$9600. Not bad for a \$4000 investment. If payments begin after age 60, you will only be eligible to receive your contribution and not the cities match.

Medical Insurance

When you retire, you have several choices for healthcare. PERS does have a health plan but it typically is quite a bit more expensive than the City plans. Obviously you can elect any other private plan but most of them will also likely be more expensive than one of the City plans. If you are married and your spouse is going to continue to work and they have health insurance through their employer, there is another option to save money. You cannot discontinue the City plan at retirement and then come back on it at a later date. You can, however elect the City plan (individual) for yourself at your retirement and keep on their employers plan. Then when your spouse retires, they can be added to your City plan. On the City of Eugene plans (2018), the approximate cost for health insurance is \$673-\$877 for an individual, \$1383-\$1666 with your spouse, and Family coverage is \$2016-\$2321/month. For Springfield employees the retiree cost for insurance is \$480-\$595 for an individual, \$1194-\$1309 with your spouse and \$1669-\$1784 for a family. If your spouse's employers plan is less than this amount for individual coverage, they may want to elect that coverage until they retire. For tax benefits, be sure your insurance is paid through PERS. If the bill is paid by PERS, you can get a \$3000/tax deduction at the end of the year. If you write the check yourself, you are not eligible for the deduction. You must fill out the form available from PERS/HRRS. The payment is actually made from PERS to a third party (currently Benefit Help Solutions), who then pays the insurance company. One thing to keep in mind is that the day you leave employment, is the day YOU are responsible for your health insurance payment. With the delay of up to 90 days for PERS to send you your first check, during that period, PERS is not making payment towards your health insurance policy. It is up to you to make arrangements for payment until your PERS checks start coming in to maintain health insurance coverage.

MAKE THE BREAK!!!

After you retire, consider immediately getting out of town for a vacation, even if it is just for a few days. If you don't and just go home, it may seem like you're just starting your days off. The Vacation can help to make the transition from career into retirement.

Timeline

Five Years to Retirement

Attend a Five-Year PERS presentation. Register online through the City of Eugene Intranet-Programs & Resources-Public Employee Retirement System.

Start putting in for estimates for your perspective retirement date. You can request 2 estimates per year and you can submit for 2 different dates of retirement at one time.

One Year to Retirement

- Pick your retirement date ore a couple of possible dates
- Obtain printed form from PERS website for request for Estimate of Benefits
- Mail in request for Estimate of Benefits
- Get on PERS website and download (print) Pre-Retirement Guide and Service Retirement Application. Read and understand guide information.
- Register for and attend a one year counseling presentation. Take along your Estimate of Benefits. Register early as there is limited space.

-From PERS website, download all necessary forms (service retirement, IAP, Police and Fire units, direct deposit, etc.

-Payoff Check: To estimate what your payoff check amount will be, add up what your retirement date total accrued hours will be for vacation, shift holiday, and comp time. Multiply this amount times your hourly pay rate. The total will be the approximate amount of your payoff check.

-Meet with deferred comp company to discuss:

- Help in calculating what adjustments to make to your monthly deferred comp contributions so that if you roll the payoff check into deferred comp you will not exceed your maximum allowed annual contributions.

- Asset allocation

- Update beneficiary information

- Distribution options

- Rules specific to 457 plans (ie. Liquid at separation from service

- Retirement planning

-Determine, if you can, what medical plan you will want when retire. You have many options including PERS health Insurance, City Health Plan, City Managed Care Plan, and others. If you choose a city plan that you are not currently under, you will have to make the change during the open enrollment period prior to your retirement date. Your retirement is not considered a qualifying event and you cannot change plans at that time.

Three Months to Retirement

Schedule and Individual Retirement Application Assistance Session. Visit the PERS website (<http://Oregon.gov/PERS>) to register. This is a face to face one hour

appointment. At this time you should be prepared to submit your retirement application(s). At this session the retirement counselor will:

- Provide a brief overview of the retirement benefit estimate (optional).
- Provide a comprehensive review of applications, forms and supporting documents for accuracy and completeness.
- Notarize forms
- Explain the retirement application process

Prior to the session you should:

- Request a Benefit Estimate and bring it with you. Your request must be mailed in at least a month prior to your scheduled session!
- Download the necessary applications and forms from the PERS website.
- Complete the applications and forms as much as possible before the session.
- Bring a legible copy of Proof-of-Birth for you and your beneficiary. You need a copy because you will later submit this copy to the PERS office and it will have to be date stamped. Accepted Proof-of-Birth documents includes:
 - Verification of birth issued by a state, county or country
 - Hospital Birth Certificate
 - Passport
 - Naturalization or Citizenship papers
- Obtain form from Deferred Comp company to defer your payoff check. Fill it out and take to payroll.
- Obtain a Notice of Intent form from HRRS, fill it out and turn it in.

-Deliver your completed (from one-on-one face to face session) forms to Salem PERS office. You can mail these in but, do you really want to take the chance the mail system with such important documents?

-Schedule your vacation to start this new chapter of your life!!!!

Decision Philosophies

There are many different philosophies by those who are facing the decision to retire. Many will say that it can largely be more of an emotional decision than a decision based on finances. Talk to those who have experienced anxiety about making the decision to leave one year after retiring, and it will be difficult to find anyone who says they wish they would have stayed. Below are some of the philosophies that helped people make the decision to retire.

“Retire when you think you might have enough, not when you’re sure you have enough”.

Our current PERS system allows for the never ending dangling carrot. The longer you stay, the more you will make. How much is enough? I spoke with a couple of retirees who retired with 75% of their income after retirement. When asked how that adjustment of a 25% hit was on their finances, they both answered that it was a wash, since they are no longer paying into union dues, PERS, Etc. Plus, since the salary is decreased, you are also paying less taxes. Their take home pay was almost the same.

“You can buy a lot of things, but you can’t buy time”

It is only healthy to look at the lifestyles and longevity of those who have retired before us. A Chief recently asked the crews, “When’s the last time you saw a retiree die from something other than cancer?” We all hope to live a long and healthy lifestyle in retirement. Statistically, Firefighters don’t live as long as the general work force. Each year you stay on the job just adds one more year of stress to your body and mind. On the bright side, look at those who have retired that look tremendously healthier in retirement.

“Why would I come to work for \$4.71/Hour?”

If your monthly income is \$7500 and your PERS estimate shows you will only make \$6500/month, that’s \$1000 loss in income. Divide \$1000 by the 212 hours you work in a month and you would be coming to work for \$4.71/hour...The difference between working and retired. Now, many will say what about the increased cost of health insurance that I need to pay for in retirement? Currently, the cost is about \$750/month for a single. For a total of \$1750 loss of income per month, you would still be coming to work for \$8.25/hour. Although these numbers are accurate for some, others are in different situations but you should do math on your own salary and insurance needs. There are retirees who started in PERS late and those who have retired early. Several of those get about ½ of the PERS benefit than the average, yet they still travel and live the lifestyle many of us dream of.

“Each year I stay on the job, it’s an extra 2%”

If you look at the way T1 and T2 PERS is calculated, this is an accurate statement. However, what many folks forget is that each year, retired members get an additional COLA that equates to approximately 2% (currently 1.87%). So you’re getting about 2% each year regardless of your decision to stay on the job or not. Another Retiree gave some perspective by stating “I’ve had a 30% increase in my salary over the last 15 years, has the union contract wage increases kept up with

that? As far as deciding which month to retire, many consider retiring on June 30th because on July 1st, they would get an automatic wage increase as a retired member.