Preparing for Retirement

Choosing a Plan that is Right for You

Hello, my name is Richard McLeod, I am one of the counselors for the Teachers Retirement Association. This is a quick summary of our six retirement plan options.

If you have decided to retire, that's probably your biggest decision. Then the next key choice for you probably is which of our plans make sense for you. With six plans to choose from, always lifetime for the member, the difference in the plans is what coverage there is for your beneficiary.

You can see on our first slide here, we have the No Refund Plan, Guaranteed Refund Plan, 15 Years Guaranteed, and then three Survivor Plans: 100%, 75% and 50% survivor plan.

The first option is our No Refund Plan. It gives the member the most money to and the highest benefit monthly for you, but there is no coverage for anyone else, and, in fact, the payments cease upon your death. So, that is your tradeoff, the highest benefit for the member, but there is no coverage for a beneficiary.

The next plan is our Guaranteed Refund; lifetime payment for the member again, but in this case you are protecting what you have paid in, plus interest. We have an example here in which the member's contributions plus interest are $100,000. If the member passes away before that money is used up, we continue to pay to a beneficiary. In this example, the member has pulled out $80,000 in payments and has passed away, leaving $20,000 left in that pool. TRA will continue to pay the beneficiary until that remaining $20,000 has been paid out.

The third plan is our 15 Years Guarantee. As always, lifetime for the member, but here we have an absolute guarantee we will pay someone for at least 15 years. The example I like to use on this plan; if the member draws for 10 years and then passes away, we would continue to pay for 5 more years to the beneficiary. If the member draws for 14 years and passes away, we would pay one more year to the beneficiary. And, of course, if the member lives to be 99, we will pay until 99. It is the beneficiary who is done after 15 years.

Our last three plans are the survivor options; lifetime for our retiree, but also lifetime for your beneficiary or optional joint annuitant. You can cover another person with 100% of your benefit, 75% of your benefit, or 50% of your benefit. So, if I have chosen the 100% survivorship and I pass away first, my spouse picks up exactly the same payment, 100% for the rest of her life. These plans are based on the member's age and the other person's age, so if I am covering somebody who is much younger than I am, I will have a slightly lower payment because of that difference in age.

The laws have changed recently. It now says in our statute that if you are married, you must either pick a survivor plan for your spouse or have the spouse sign off a waiver saying he or she does not want lifetime coverage. So, either pick a survivor plan or the spouse signs a notarized waiver waiving his or her rights to the survivorship. Now, these three plans have a bounceback feature. It is a sort of safety valve for the member. A bounceback says, if I have chosen a survivor plan and my beneficiary or optional joint annuitant passes away first, I am not stuck at that lower payment, I get to jump up or “bounce back” to that highest no refund plan.

So, we will give you an example of that bounceback feature. In this case, we have a 100% survivorship plan, the member is 59, and we have examples of different ages for the beneficiary. The top No Refund plan is $2,021. Remember, that gives the member the most money. If my beneficiary is the same age as I am, we are both 59, my monthly payment will be about $1,816 per month. If I pass away, my spouse picks up that same payment. If my spouse is younger, I will have a lower payment. If I am 59, my spouse is 49, my benefit drops to $1,731 per month. I have a lower payment because I am covering somebody who is younger, and it is lifetime for both of us. But the reverse is also true. If I am 59 and my beneficiary is 69, my payment doesn’t drop very much; I have $1,899 a month. It is not very expensive to cover someone who is 10 years older than I am.

Now, this is a good example of that bounceback feature. Let’s say, my situation is that I am 59, my beneficiary is 49, and she passes away first. If I am still here but my beneficiary is gone, I am not stuck at that $1,731 per month, I get to jump up or “bounce back” to that highest No Refund plan. So, I am not frozen at $1,731 per month, I get to go back to that highest $2,021. I am not penalized for having chosen a Survivor Plan for my spouse.

So, that is a quick summary of our six annuity plans, lifetime for the member, the difference is what coverage do you want or need for your beneficiar(ies).

If you have questions, feel free to call TRA. We will help you discuss these options; make sure you are comfortable with your choices.

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