

Planning for Your Future and the Retirement Process

Presented by Local 1908

Planning for Your Future

- Thank you
 - Local 1908
 - Clark County Fire Department
 - Nevada P.E.R.S.
 - Morgan Stanley, Deferred Compensation

Introduction

- Danny Nguyen
 - Hired date 10/04/1993
 - Retired date 1/10/2019
 - CCFD 25 years
 - Captain/Paramedic
- Email: danny25andout@gmail.com
- Phone: 702-461-7956

Introduction

- Everyone of us is unique
 - Hire Date
 - Rookie School (purchase)
 - Service Credit (purchase)
 - Marital Status (divorce)
 - Age of Beneficiary
 - Date of Retirement
 - Retirement Option

Preparing for your future

- Have a plan
 - Convert Rookie School to Police/Fire credit
 - Buy Service Credit early – Lump Sum or PERS loan
 - Buy Service Credit later – Deferred Comp. money
 - Be debt free by the time of retirement
 - When can you retire?
 - Why do people work?
 - I want to have the same lifestyle.

Preparing for your future

- When should I prepare for my future/retirement?
- How much money do I need to retire?
- Do you need more or less money to retire?
- How much debt do you plan to have upon retirement?
 - Mortgage, Tuition, RV, Boat, Truck, Credit Cards, etc.
- Should I buy Recruit Academy time?
- Should I buy Service time?
- When should I buy?
- How do I buy time? (Lump Sum, PERS loan, Deferred Comp)
- How is Service time calculated?

Preparing for Your Future

Deferred Compensation

- Start contributing into a Deferred Comp account now.
- Contact your Deferred Compensation representative to start putting pre-taxed money into a Deferred Comp account.
- Start with \$50 or \$100 per pay check. You won't miss it.
- Every year when you get a COLA increase, increase your contribution.
- When you get a promotion, increase your contribution.

Preparing for Your Future

Deferred Compensation

- Pre-tax, deducted from 26 pay period
- Participants up to age 49 can contribute \$19,000/yr. max.
- Participants age 50+ can contribute \$25,000/yr. max.
- Participants within 4 years from retirement can contribute double the standard \$38,000 max.
- Deferred Comp balances can be used to buy PERS Service Credit.
- General Account interest rate is 2.65% (2018)
- Mutual Fund average 8.5% (Alan Duff, 2018)
- 32 Investment Options – ROTH Option now available

Preparing for Your Future

Deferred Compensation

- Deferred Compensation Team
- Email: ClarkCoDeferredComp@morganstanley.com
- Morgan Stanley
- Attention: Deferred Compensation
- 1645 Village Center Circle, Suite 150
- Las Vegas, NV 89134
- Telephone: 702-242-8301
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- Allan J. Duff allan.duff@morganstanley.com
- Telephone: 702-242-8300
- Fax: 702-242-8315
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- Warren A. Duff warren.duff@morganstanley.com
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- Paul Cahoon paul.cahoon@morganstanley.com
- Telephone: 702-242-8333

Preparing for Your Future

PERS - Survivor Beneficiary Designation

- Member Information: You
- Family Beneficiary Information: Spouse then children under the age of 18
 - Spouse/Partner is the primary
 - Spouse will collect the benefit upon your death. When spouse dies, it all ends.
 - If you and spouse die at the same time, your child or children will collect until the age of 18 or 23 if they are going to school.
 - You should list your child again under the Survivor Beneficiary Designation. (double coverage)

Preparing for Your Future

PERS - Survivor Beneficiary Designation

- Survivor Beneficiary Designation: incase of a simultaneous death of the member and spouse
 - You should list your youngest child first because the Survivor Beneficiary gets the benefit until he/she dies, then it all ends.
 - If you have children under 18, list them in the Family Beneficiary Information and then again in Survivor Beneficiary Designation.
 - Create an online account with P.E.R.S.

Rookie Academy Time

- Should I buy Rookie Academy Time?
 - What is the benefit of buying?
 - You can retire at the start of Rookie School instead of at the end.
 - Employees hired after 7/1/2015 cannot purchase time to meet service credit. Rookie Academy Time is OK.
 - Your monthly benefit is higher.
 - Do you get the benefit if you don't purchase?
 - Yes. You do. It will go on to your retirement as a regular PERS credit instead of a Police/Fire credit.
 - Regular benefit is a little less. We are all different due to length of Rookie School and hire date.

Rookie Academy Time

- When should I buy? (my rookie time was only 9 weeks)
 - 7 years on – \$700 (quoted in 2001)
 - 25 years on – \$3,200 (quoted in December 2018)
- In my case, I retired post Rookie School graduation so I did not find it necessary to buy Rookie Time.
- According to PERS, buying my Rookie Time would have increased my monthly income by \$13 per month.
- \$13/month (note that my rookie time was only 9 weeks)
- 156/year
- You don't have to buy but if you decide to buy, buy early.

Retirement Eligibility

- Hired before 1/1/2010
 - 5 years & age 65
 - 10 years & age 55
 - 20 years & age 50
 - 25 years & any age
- Hired after 1/1/2010
 - 5 years & age 65
 - 10 years & age 60 (note the difference here)
 - 20 years & age 50
 - 30 years & any age (note the difference here)
- Hired on/after 7/1/2015
 - Employees cannot buy time to meet eligibility. (academy is ok)

Service Time Credit Benefit Calculation

- Service Credit, Average Compensation, & Option
- Service Credit
 - Years, months and days worked
- Average Compensation
 - Average of the highest 36 consecutive months of salary
 - Instead of saying highest 3, we should say highest 36
- Retirement Option
 - 7 Options

Benefit Formula & Calculation

- Service Credit
 - Hired before 7/1/2001 2.5% per year
 - Hired after 7/1/2001 2.67% per year
 - Hired after 1/1/2010 2.5% per year
- Sample calculation for a member hired after 1/1/2010
 - Example: 20 years service credit & \$3,000 average
 - $20 \times 2.5 = 50\%$
 - $50\% \times 3000 = \$1500$ monthly service retirement allowance
- Sample calculation for a member hired before 1/1/2001
 - Example: 20 years service credit & \$3000 average
 - $10 \times 2.5 = 25\%$
 - $10 \times 2.67 = 26.7\%$ ($25 + 26.7 = 51.7\%$)
 - $51.7\% \times 3000 = \$1551$ monthly service retirement allowance

Service Time Purchase

- Should I buy Service Time?
 - This is between you and your financial advisor.
 - Deferred Comp, IRA, Real Estate, Life Insurance, divorce, etc.
- What are the benefits to buying time?
 - Retire early (post 7/1/15 employees cannot)
 - Increase annual benefit (2.5% each year)
 - If you don't use it, you lose it.
 - Example: You purchased 5 years but you worked 30 years.
- How much can I buy?
 - After 5 years of service, you can buy up to 5 years.
 - Military permitted to purchase an additional 3 years.
 - Check with PERS for eligibility

Service Time Purchase

- The cost will be different for each of us.
- There is an actuary formula that PERS uses to calculate.
- Estimate can be calculated online if you have an account.
- PERS will give you an estimate on the phone.
- How do I pay for the purchase? (3 options)
 - Lump sum
 - Monthly payment (8% interest & up to 10 year loan)
 - Rollover (Deferred Comp)

Service Time Purchase

- When should I buy?
 - Early (after 5 years you can buy)
 - Cheaper (5 year FF = \$21,000 for 1 year)
 - If you don't use it, you lose it
 - Later
 - More expensive (25 year Captain = \$65,000 for 1 year)
 - Put your money in Deferred Comp and use it to buy later
 - If you don't use it, you lose it
- Let us take a look at a few sample calculations so we can see the differences between each example.

Service Time Purchase

- **Example #1 (buy 1 year at 5 years on)**
- An employee with 5 years on purchasing 1 year
- To buy 1 year it will cost \$21,000
- PERS loan – \$21K for 10 years at 8% interest
 - \$254.78 per month for 10 years = \$30,573
 - \$9,573 interest

Service Time Purchase

- **Example calculation**
- What is \$21,000 compounded in an account with 8% gain?
- Year 1 21,000
- Year 2 22,680
- Year 3 24,494
- Year 4 26,454
- Year 5 28,570
- Year 20 90,630
- At 25 years on, it will cost \$65K to buy 1 year. (2018 estimate)

Service Time Purchase

- **Example #2 (buy 1 year at 25 years on)**
- An employee worked 25 years
- The employee earned 150K annually
- He/she can buy 1 year
 - 62.5% = \$93,750 65% = \$97,500
 - \$3,750 increase per year
- To buy 1 year it will cost \$65,000
- When will I recover \$65,000?
 - 17 years (post retirement)

Service Time Purchase

- **Example calculation**
- If you did not buy and left \$65K in your Deferred Comp.
- How much is 65K at 8% compounded for 15 years?
- Year 1 \$65,000
- Year 2 \$70,200
- Year 3 \$75,816
- Year 4 \$81,881
- Year 5 \$88,432
- Year 15 \$190,917

Service Time Purchase

- Here are some thoughts for your consideration.
- How much money do you need when your retire?
- How much debt do you plan to have upon retirement?
 - Mortgage, Tuition, RV, Boat, Truck, Credit Cards, etc.
- What are you going to do with the additional money?
- How much is the tax on the additional money?
- If you buy to retire early. (priceless)

Early Retirement Penalty

- **Early Retirement Reduction aka Penalty**
- Hired before 1/1/2010
 - 4% for each full year
 - Prorated for each month
- Hired after 1/1/2010
 - 6% for each full year
 - Prorated for each month
- You can choose not to collect until you are eligible so that you don't get penalized.
 - Example: You are 16 months from eligibility but you just don't want to work anymore.

Planning for Your Future

PERS - Disclaimer

- PERS has a Service Retirement Application Instructions for Police and Firefighter. Please contact PERS for instructions.
- Forms and application process can change over time.
- This PPT was created in 2019.
- For up to date information, please contact PERS
 - PERS System of Nevada, www.nvpers.org
 - 5740 S. Eastern Ave. Suite 120, Las Vegas, NV 89119
 - Phone: 702-486-3900
 - Toll free: 866-473-7768
 - Fax: 702-678-6934

Planning for Your Future

- This concludes the “Planning for Your Future” presentation.
- The next section is “The Retirement Process”.
- PERS
 - PERS application and forms
 - Different PERS Options (1-7)
 - Tips from the retired
- Deferred Comp
 - Options for Deferred Comp money
- CCFD
 - Retirement Forms, Exit Physicals
- Union Local 1908
 - Membership and Insurance

The Retirement Process

- You've been on the job for 25 years. You're 50 years old. You are eligible for retirement.
- What is the retirement process?
- What do you do at PERS?
 - The application process and options
- What do you do with Morgan Stanley, Deferred Comp?
 - Options for your Deferred Comp savings
- What do you do at Union Local 1908 for insurance?
 - Membership and insurance cost
- What do you do at CCFD?
 - Retirement Form, Exit Physicals, Checkout Sheet, etc.

The Retirement Process

PERS

- Contact PERS about 6 months out to make an appointment.
- Come in and review your **Estimate Calculation for Service Retirement.**
- PERS will give you a packet to take home to fill out.
- Inside this packet: (2019)
 - **Service Retirement Application**
 - **Retirement Option Selection and Beneficiary Designation**
 - **Acknowledgement of Retirement Option and Reemployment Guidelines**
 - **Electronic Funds Transfer Authorization**
 - **Income Tax Withholding Certificate**
 - **Retired Public Safety Officer Tax Exclusion Agreement**

The Retirement Process

PERS – Retirement Application

- **Service Retirement Application**
 - Basic information
 - Retirement date
 - Notary Public
- You and your spouse will 2 forms of IDs
 - Driver License, Passport, Birth Certificate, Naturalization Certificate, Marriage or Domestic Partner Certificate, Divorce Papers, etc.
 - Please contact PERS for a list of approved documents.

The Retirement Process

PERS – Retirement Option Selection

- You have 7 Options to choose from.
- **Option 1**
- Your “spouse” is the “beneficiary”.
 - You get the highest amount. After your death, your spouse will get 50% upon her 50th birthday.
 - This is final.
 - You cannot change it later to another option.

The Retirement Process

PERS – Retirement Option Selection

- **Option 2**
- You can name your “beneficiary”, spouse must consent.
 - Your beneficiary will get the same amount after your death, “right away”.
 - PERS uses an actuary formula to calculate your benefit. (option, age)
 - You can change to option 1. (forfeit spouse 50%)
 - Example: If your beneficiary dies before you, you can change to option 1 so you can collect more money. This is final. You cannot add another beneficiary.

The Retirement Process

PERS – Retirement Option Selection

- **Option 3**

- Your “beneficiary” will get 50% of the amount after your death “right away”.
- PERS uses an actuary formula to calculate your benefit. (option, age)
- You can change to option 1. (forfeit spouse 50%)
- Example: If your beneficiary dies before you, you can change to option 1 so you can collect more money. This is final. You cannot add another beneficiary.

The Retirement Process

PERS – Retirement Option Selection

- | <u>Options (1-7)</u> | | <u>You</u> | <u>Beneficiary</u> |
|---|---------|------------|--------------------------|
| • Option 1 | maximum | \$100K | 50% - \$50K (age 50) |
| • Option 2 | 88.75% | \$88,750 | same - \$88,750 (now) |
| • Option 3 | 94.04% | \$94,040 | 50% - \$47,020 (now) |
| • Option 4 | 91.51% | \$91,510 | same - \$91,510 (age 60) |
| • Option 5 | 95.57% | \$95,570 | 50% - \$47,785 (age 60) |
| • Option 6 & 7 are negotiated between you & PERS. | | | |

The Retirement Process

PERS – Retirement Option Selection

- **Option 4** is the similar to option 2.
- Your “beneficiary” will get the same amount after your death when your beneficiary reaches “60 years old.
- **Option 5** is similar to option 3.
- Your “beneficiary” will get 50% after your death when your beneficiary reaches “60 years old.”
- **Option 6 & 7** is negotiated between you and PERS.

The Retirement Process

PERS - Applications & Forms

- **Acknowledgement of Retirement Option and Reemployment Guidelines**
 - You and Beneficiary sign and notarized (ID required)
- **Electronic Funds Transfer Authorization**
 - Direct deposits or mailed checks (account info)
- **Income Tax Withholding Certificate**
 - Federal Tax withholding options (choose & sign)
- **Retired Public Safety Officer Tax Exclusion Agreement** (sign)
 - You maybe eligible to exclude up to \$3,000 from taxable income from PERS.

The Retirement Process

Post Retirement Increases

- **Post Retirement Increases (COLA)**
- Hired before 1/1/2010
 - 1st, 2nd, 3rd year no increase
 - 4th, 5th, 6th year 2% increase
 - 7th, 8th, 9th year 3% increase
 - 10th, 11th, 12th year 3.5% increase
 - 13th, 14th year 4% increase
 - Every year thereafter 5% increase
- Hired after 1/1/2010
 - Remains at 4% on the 13th year and every year thereafter
- This is based on the Consumer Price Index

The Retirement Process

Post Retirement Employment

- **Post Retirement Employment**
- If you go back to work for a Private Industry, Federal Government or Out of State
 - No Restrictions with PERS
- If you go back to work for a Public Employer in Nevada (PERS)
 - Wait 90 calendar days
 - Submit Reemployment Form to PERS
 - Benefits may be suspended
 - Non-eligible positions may be approved (contract labor)
 - \$24,500 limit
- Contact PERS for more info

The Retirement Process

Deferred Compensation

- Upon retirement, you must stop contribution.
 - Use the money to purchase PERS Service Credit.
 - Leave the money there to earn interest until age 70 ½
 - Take all the money out in one lump sum. This is not advised because of tax. This will put you into a higher tax bracket.
 - Take the money out when you need it. If you buy a new car, an RV, a boat, etc.
 - Roll the money into an IRA.
 - If you have a loan with Deferred Comp you can:
 - Pay off the loan
 - Stop payment – pay income tax on the balance

The Retirement Process

CCFD – Application and Forms

- **CCFD Resignation/Retirement Form** (14 days)
 - Name, job title, PRNR number, last date working, sign
- **Retirement Check Out Sheet**
 - Payroll Section
 - Badge, keys, ID badge, etc.
 - Logistic/Warehouse/Mechanic Section
 - Turnout, helmet, facemask, etc.
 - IT Section
 - Cell phone and charger
 - Specialty Items
 - Investigations, Hazmat, Heavy Rescue, etc.
 - **Retirement Badge Form**
 - Authorization to buy a retired badge

The Retirement Process

CCFD – Contagious Diseases Compensation Testing

- Exit Physical UMC Enterprise
- Within 1 month TB test, Hepatitis A, B, C & HIV
- Within 3 months TB test
- Within 6 months Hepatitis A, B, C & HIV
- Within 1 year Hepatitis, A, B, C & HIV
- The first test must be at UMC Quick Care.
- The TB and Hepatitis can be done outside of Clark County if you moved. Contact CCFD for the Quest Diagnostic Requisition Form.

The Retirement Process

Tips From the Retired

- CCFD pays for your insurance on the 1st Tuesday of the month.
- Retire after a 3 pay period month, it may increase your salary.
 - PERS, Benefit Estimate, input the dates, calculate.
- If you retire before the 15th of the month, you get a partial check at the end of the month.
- If you retire after the 15th, your partial check will be added to next months check.
 - Note: This could be 1 and ½ months later.
- Your benefits will be mailed or direct deposited into your account four working days before the end of each month.
 - Note: You only get 1 check per month instead of bi-weekly.

The Retirement Process

CCFD – Tips from the Retired

- Choose a date that is after the 1st Tuesday. (insurance)
- Choose a date after a 3 payday month because it may increase your highest 36 consecutive months.
- Your severance check will be available on the next payday. No direct deposit.
- You can deposit money from the severance check into Deferred Comp pre-tax. (\$38,000 max.)

The Retirement Process

Union Local 1908

- To be eligible for coverage
 - Retiree is receiving an unreduced PERS pension
 - Active Employee under Active Plan with 10 years of service
 - No break in coverage
 - Timely monthly payment, deducted from PERS
 - Enroll for Retiree coverage before retiring
 - Retiree is a member in good standing
 - Remains a member in good standing, \$200/yr. due Oct. 1st
- Medicare
 - Retiree must apply for Medicare once eligible

The Retirement Process

Union Local 1908

- Union Local 1908 Security Fund cost
- Non-Medicare without retiree credit
- Retiree credit \$300 (20 years of service)

- Single \$370
- Two party \$700
- Three party \$1050
- Four party \$1400
- Five party \$1750
- Six or more \$2100

The Retirement Process

Union Local 1908

- Union Local 1908 Security Fund cost
 - Medicare without retiree credit
 - Retiree credit \$300 (20 years of service)
-
- Single \$170
 - 2 on Medicare \$500
 - 1 Medicare & 1 non-Medicare \$600
 - 2 Medicare & 1 child \$850
 - 2 Medicare & children \$1050
 - 1 Medicare & 1 non & 1 child \$950
 - 1 Medicare & 1 non & children \$1150

The Retirement Process

Union Local 1908

- Insurance premium shall be deducted from PERS income
- You may be eligible to exclude up to \$3,000 from the taxable PERS income
- Union Local 1908
 - Erica Quintanar
 - Health Benefit Coordinator
 - equintanar@ebms.com
 - 6200 W. Charleston Blvd. LV, NV 89146
 - T 800-777-3575 x 2463
 - P 406-245-3575 x 2463
 - F 702-853-7997

To Do List

- Have a plan
 - Convert Rookie School to Police/Fire credit
 - Buy Service Credit early – Lump Sum or PERS loan
 - Buy Service Credit later – Deferred Comp. money
 - Be debt free by the time of retirement
- Start a Deferred Compensation account
- Create a PERS account
- Fill out the Survivor Benefit form
- Attend a Local 1908 Union meeting