

Retirement Planning Simplified

UNIVERSITY OF HOUSTON

HUMAN RESOURCES

Agenda

- ▶ Mandatory Retirement Plans
- ▶ Social Security Benefits
- ▶ Define Supplemental Retirement
- ▶ Supplemental Retirement Offerings
- ▶ TDA vs Roth
- ▶ Plan Limits
- ▶ Avenues of Retirement Income
- ▶ Questions

Mandatory Retirement Plan

Teacher Retirement System (TRS)

- ▶ Mandatory for all benefits eligible, non-ORP employees

Contribution rates:

- ▶ Employee: 7.7% gross monthly salary
- ▶ Employer: 7.5% gross monthly salary
- ▶ Define plan upon retirement
- ▶ Vested after 5 years

Optional Retirement Plan (ORP)

- ▶ Available to all benefits-eligible faculty
- ▶ One-time irrevocable decision

Contribution rates:

- ▶ Employee: 6.65% gross monthly salary
- ▶ Employer: 6.6% gross monthly salary
- ▶ Vested after 1 year and 1 day
- ▶ 90 day election period
- ▶ Use one of UHS approved vendors

Social Security Retirement Benefits

You can receive Social Security benefits based on your earnings record if you are age 62 or older, or disabled or blind and have enough work credits.

- ▶ At age 62, you get a lower monthly payment
- ▶ At your full retirement age, you get your full benefit
- ▶ You get an even higher monthly payment if you work past your full retirement



Social Security Benefits: <https://www.ssa.gov/myaccount/>

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Supplemental Retirement and Savings Plan?

- ▶ The Supplemental Retirement Plan offers you the opportunity to set aside money for your future. You have a choice of contributing to the Supplemental Retirement and Savings Plan in the following ways:
 - ▶ **Before-Tax Contributions:** You pay no federal income tax on the before-tax money you put into the Supplemental retirement Plan.
 - ▶ **After-Tax Roth Contributions:** You pay federal income tax on the money you put into the Supplemental Retirement and Savings Plan on an after-tax basis.



Supplemental Retirement Options offered at UH

It's never too soon to plan for a financially secure retirement.

403(b)

- ▶ The 403(b) program is offered to all benefits eligible employees. Investments are handled by companies that have contracted with the University.

457b

- ▶ The 457b program is offered to all benefit eligible employees. Investments are managed by TexaSaver.

Before-Tax or After-Tax contributions can be made to each plan or a combination of both.



403(b) TDA and 457 Similarities and Differences

Key Similarities:

- ▶ Both plans allow you to make before-tax and after-tax contributions
- ▶ If you need to withdraw money while you're still working for UH, both plans allow you to do so starting at age 59 ½
- ▶ Rollovers of existing retirement plan funds can be made into both plan

▶ **Key Differences:**

- ▶ 10% early withdrawal penalty on TDA distributions before age 59 1/2
- ▶ Annual recordkeeping fees
- ▶ Special catch-up provisions

Reasons to consider a TDA vs Roth

Traditional Pre-tax may be a good option for you if:

- ▶ You would like to lower your taxable income
- ▶ You may need money before age 59 ½

Consider an After-tax Roth:

- ▶ Think you might be in a higher tax bracket during retirement
- ▶ Are looking for an investment for certain short-term goals such as college tuition or help with buying a home
- ▶ Would like to leave tax-free assets to your heirs
- ▶ May want to retrieve your original contributions before retirement

Contributions Limits

403(b)

- ▶ Minimum monthly contribution \$25
- ▶ Maximum annual contribution \$19,500
- ▶ Additional age 50 + “Catch-up” \$6,500
- ▶ 15-year “Catch-up” \$3,000 for five consecutive years

457b

- ▶ Minimum monthly contribution \$25
- ▶ Maximum annual contribution \$19,500
- ▶ Additional age 50 + “Catch-up” \$6,500
- ▶ Special 457 “Catch-up” Provision \$39,000 (only during the three years before retirement)



403(b) Consistent Retirement Program

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Improvement and enhancements:

- ▶ Reduce the total number of investments at each company
- ▶ Simplify employee decision-making when allocating contributions
- ▶ The investment lineup will be the same at all four companies where possible
- ▶ Provide a tiered structure offering best in class investment options



University of Houston System Menu

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Tier 1	Target Retirement Date Funds	Age appropriate investments based on an assumed retirement of age 65
Tier 2	Core Array	Low cost indexed options providing broad exposure to asset classes
Tier 3	Extended Array	Active investment products providing access to a wide range of asset classes and investment styles
Tier 4	Self-Directed Brokerage	Access to investment options outside of the UHS monitored investment menu

Distributed Events:

403(b) TDA

- ▶ Typically Age 59 ½
- ▶ Retire at age 55 or order
- ▶ Loans (may be available)
- ▶ Termination
- ▶ Hardship Withdrawal

457(b):

- ▶ Loans
- ▶ Termination
- ▶ Hardship Withdrawal
- ▶ RMD 72

Required Minimum Distribution (RMD):

- ▶ If you reached age 70 ½ on or before December 31, 2019 you must take RMD beginning at age 70 1/2
- ▶ Age 72 unless you are still employed

Three avenues of retirement income:

- ▶ Teacher Retirement System (TRS)
or
Optional Retirement Plan (ORP)
- ▶ Social Security
- ▶ 403(b) TDA/Roth and or 457
TDA/Roth

The “three-legged stool”



Social
Security

403(b)/457

ORP/TRS

Enrollment

To Start, Stop or Change Contributions:

403(b):

Log into Retirement@Work through

Access UH: <https://shib.uh.edu/idp/Authn/UserPassword>

457b:

TexaSaver: <https://texasaver.empower-retirement.com/participant/#/login?accu=TexasWR>

Questions

