Is TRS Enough?

Plan it today, live it tomorrow

be retirement ready™

PLAN | INVEST | PROTECT

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Welcome

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- Insurance products, annuities and retirement plan funding issued by (third party administrative services may also be provided by) Voya Retirement Insurance and Annuity Company ("VRIAC"), Windsor, CT. VRIAC is solely responsible for its own financial condition and contractual obligations. Plan administrative services provided by VRIAC or Voya Institutional Plan Services LLC ("VIPS"). VIPS does not engage in the sale or solicitation of securities. All companies are members of the Voya® family of companies**. Securities distributed by Voya Financial Partners LLC (member SIPC) or third parties with which it has a selling agreement.** All products and services may not be available in all states.

- Variable annuities are long-term investments designed for retirement purposes. Early withdrawals prior to age 59½ will be subject to a 10% premature distribution penalty tax, unless an exception applies. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than its original amount invested. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

- For 403(b)(1) fixed or variable annuities, employee deferrals (including earnings) may generally be distributed only upon your: attainment of age 59½, severance from employment, death, disability, or hardship. Note: Hardship withdrawals are limited to employee deferrals made after 12/31/88. Exceptions to the distribution rules: No Internal Revenue Code withdrawal restrictions apply to '88 cash value (employee deferrals (including earnings) as of 12/31/88) and employer contributions (including earnings). However, employer contributions made to an annuity contract issued after December 31, 2008 may not be paid or made available before a distributable event occurs. Such amounts may be distributed to a participant or if applicable, the beneficiary: upon the participant's severance from employment or upon the occurrence of an event, such as after a fixed number of years, the attainment of a stated age, or disability.

Agenda

- **Teacher Retirement System of Texas**
  - **The Formula**
  - **Your options**
- **Social Security - What to expect**
- **Retirement Plans**
  - **403b & 457**
- **Planning - Putting it all Together**

1

Teachers Retirement System of Texas - TRS

The TRS is not administered by Voya Financial Advisors or its affiliates, if you have questions about the information presented contact [www.trs.state.tx.us]

This is provided for informational purposes only. This is believed to be accurate but cannot be guaranteed.

Teachers Retirement System of Texas (TRS)

- **Retiring?**

  Rule of 80

  – **Years of Service + Age = 80**

- **The Formula**

  – **2.3% x Years of Service x Average Highest 3 or 5 years Salary**

  *****Some employees have an additional age requirement***

- **Options at Retirement:**

  Receiving annuity payments

  – **Partial Lump Sum Option**

  Formula applies to grandfathered members only. Source: Teachers Retirement System Handbook

What does Rule of 80 mean to me?

TRS defines Rule of 80 as one of the eligibility requirements where your

years of service + your age = 80

Time when you first become eligible to receive your full *unreduced* benefit.

When do you reach rule of 80?

Let's follow along:

Source: TRS Handbook

What does Rule of 80 mean to me?

Quick estimate to reach "Rule of 80"			
For every year you are here - you earn two points (1 birthday + 1 Service)			
1. Write your age		44	
2. Write your years of service wit	+	10	
3. Add numbers #1 + #2	=	54	
4. Subtract #3 from 80	80-	↑ = 26	/2
5. Divide #4 by 2		13	more years until Rule of 80 is met

	How many years will you have with TRS if you retire at Rule of 80?					
(A)	Add #2 + #5 = Total years at Rule of 80 for you					
	10	+	13	=	23	Total Estimated Years
	#2		#5			

Soure: TRS Handbook

Sample TRS Calculation

It depends… based on a formula that includes :

TRS multiplier, your total years of service, average salary*

2.3% X YEARS OF SERVICE= % REPLACED

Solve for yourself:

My Example from previous slide-

23 years of service X 2.3% = 52.9%

Source: TRS Handbook

TRS Standard Annuity

Hypothetical Example:

Assumes :

- ***Age 57***
- ***23 Years of Service***
- ***$46000 5 Year Average Salary***
  - ***23 x 2.3% = 52.9%***
  - ***$46,000 x 52.9% = $24,334***
  - ***$24334 / 12 = $2027.83 (Estimated Monthly Standard Annuity)***

Hypothetical results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required for some investments

Partial Lump Sum Option (PLSO)

- **Not everyone is eligible for a PLSO**
- **Check MyTRS, your retirement packet, or the TRS handbook for eligibility**
- **Partial Distribution from the standard annuity**
- **Reduces Standard Annuity benefit**
- **One time decision made at retirement. Once made, it is irrevocable.**
- **Can elect 12, 24, or 36 month PLSO**
- **Actuarial calculation done by TRS**
- **Tables posted on TRS web site**

Source: Teachers Retirement System of Texas Handbook

Note: There is no Cost of Living Adjustment (COLA) Built into the TRS Benefit Formula

How will Inflation affect your standard of living?

Losing purchasing power

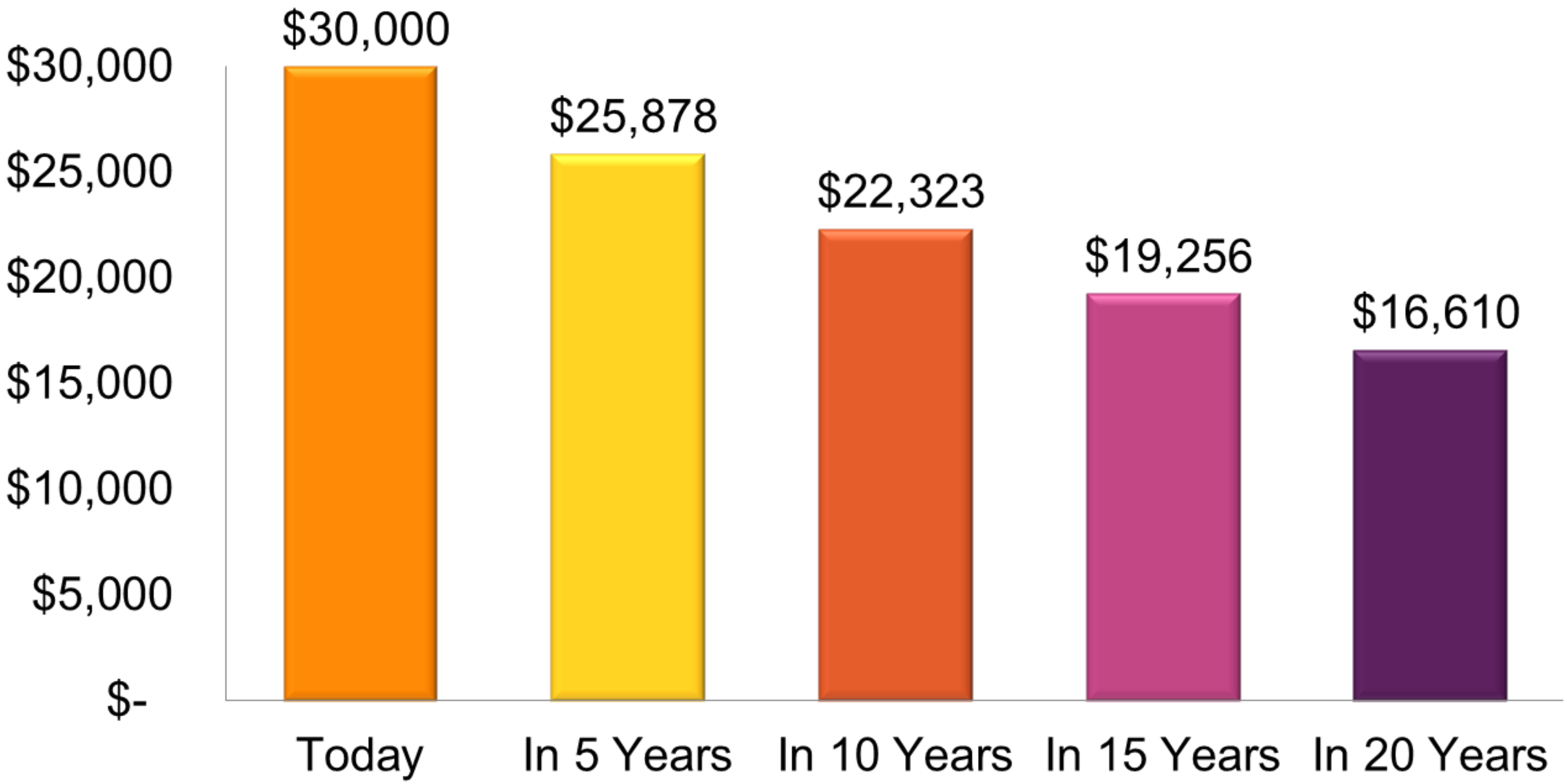
Inflation Drives Up Prices – And Eats Away At Your Purchasing Power

At 3% annual inflation

$75,000 Income today → Needs to increase to → **$101,202** In 10 years

$75,000 Income today → Needs to increase to → **$136,557** In 20 years

How much will your current income be worth in 20 years?



Assumes $30,000 annual salary and 3% annual rate of inflation.

2 Social Security

Key Terms and Concepts

Full Retirement Age (FRA)

- Age at which you are entitled to your entire primary insurance amount
- Varies based on the year in which you were born
- May depend on other factors, such as current earnings and is still working

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

Source: Social Security Administration

Key Terms and Concepts

Early Retirement Age (ERA)

- If an individual applies for benefits prior to his/her Full Retirement Age, benefits may be reduced

Retirement Benefit as a Percentage of the Primary Insurance Amount at Varies Ages									
Year of Birth	Normal Retirement Age (NRA)	Credit for each year of delayed retirement after NRA (Percent)	Benefit as a % of PIA at Age						
			62	63	64	65	66	67	70
1943 – 1954	66	8	75	80	86 2/3	93 1/3	100	108	132
1955	66, 2 months	8	74 1/6	79 1/6	85 5/9	92 2/9	98 8/9	106 2/3	130 2/3
1956	66, 4 months	8	73 1/3	78 1/3	84 4/9	91 1/9	97 7/9	105 1/3	129 1/3
1957	66, 6 months	8	72 1/2	77 1/2	83 1/3	90	96 2/3	104	128
1958	66, 8 months	8	71 2/3	76 2/3	82 2/9	88 8/9	95 5/9	102 2/3	126 2/3
1959	66, 10 months	8	70 5/6	75 5/6	81 1/9	87 7/9	94 4/9	101 1/3	125 1/3
1960 or later	67	8	70	75	80	86 2/3	93 1/3	100	124

Source: 2014 Cannon Concepts

Three key facts about Social Security payments

1 The earlier you begin your Social Security benefits, the lower your payments: six to seven percent less per year

2 Maximum Social Security benefit is at age 70

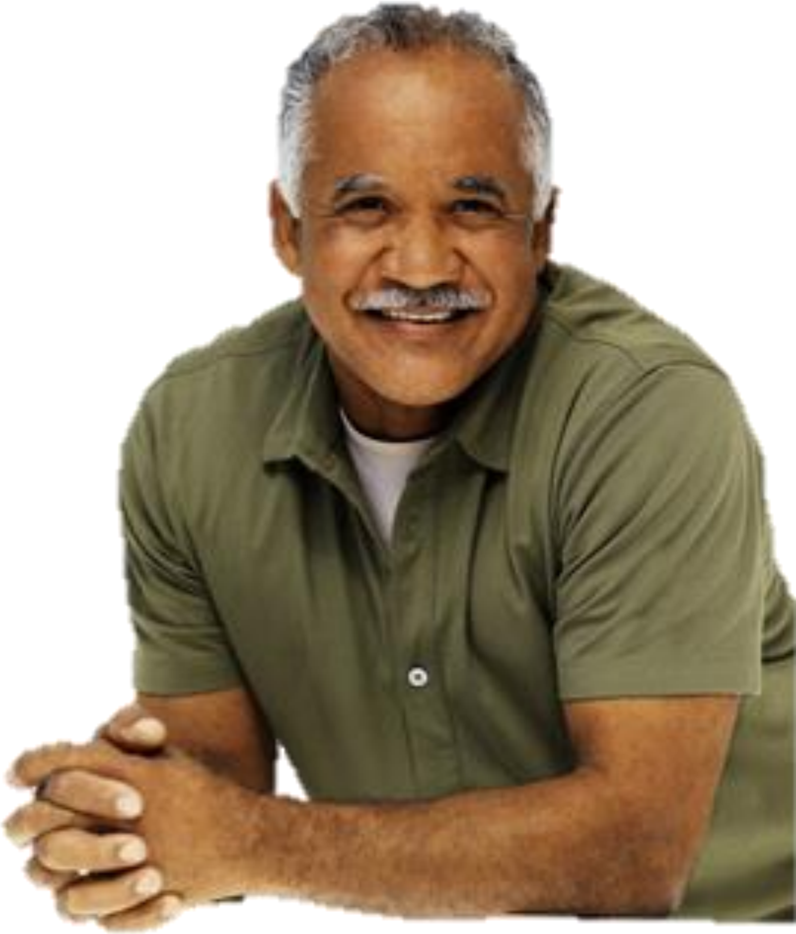
3 You can still work and collect Social Security at the same time, but exceptions apply

Social security

WWW. SSA.gov
1-800-772-1213

Review Pre-Retirement decisions on the Social Security web-site

Review or order a Benefit Estimate



3 Voluntary Retirement Plans

What’s available?

- 403(b) Tax Deferred Annuity or Roth-Optional
- 457 Deferred Compensation- Optional
- IRA Tax Deferral-Optional
- Roth IRA Tax Free Growth-Optional

Advantages of an Employer Sponsored Retirement Account

- **Pre-tax contributions**
- **Tax-deferred growth**
  - **Taxes are due upon withdrawal**
- **Loan Provisions-**
- **Loans and death benefit may affect account balance**
- **Multiple Investment Options**
- **Payroll Deduction**

Your UT Retirement Programs

THE UNIVERSITY of TEXAS SYSTEM
RETIREMENT PROGRAM
Your Future. Your Choice.

Your Retirement Programs at a Glance

Mandatory Programs

Teacher Retirement System (TRS)	Optional Retirement Program (ORP)
• Qualified plan as described in Section 401(a) of the Internal Revenue Code. • All employees automatically enrolled. • Defined benefit plan • TRS controls/monitors investments • Benefit based on years of service, salary and actuarial formula • Vested after five years with a right to a lifetime annuity • Disability benefit provided	• May be chosen (irrevocably) by certain eligible titles during initial period of eligibility • Defined contribution plan (403b) • You manage your investments • Account growth based on performance of selected investment portfolio • Vested after one year and one day to employer matching contributions • Matching contributions vary but are no less than 6%. • No Disability

UT Saver Voluntary Programs

	UTSaver TSA		UTSaver DCP
	Traditional 403(b)	Roth 403(b)	
Eligibility	All Employees	All Employees	All Employees
Employee Contribution	Pre-tax dollars	After-tax dollars	Pre-tax dollars
Employer Contribution	None	None	None
Employee Withdrawls	Taxable when withdrawn	Tax free when withdrawn as a "qualified" distribution	Taxable when withdrawn
General Contribution Limits*	$18,000 IRS maximum (2015) for both traditional and Roth sources. (Each dollar of a Roth contribution reduces the amount that can be contributed pretax, and vice versa.)		$18,000 IRS maximum (2015)
Over age 50 catch-up contribution	$6,000 combined with Roth	$6,000 combined with Traditional	$6,000
15-year catch-up contribution	$3,000 combined with Roth ($15,000 lifetime max)	Off-set by Roth contributions	N/A
Three years prior to retirement catch-up (special catch-up)**	N/A	N/A	Up to $18,000 (may not be used simultaneously with age 50 catch-up)
Distributions Upon Separation of Employment	Distributions made prior to age 59 ½ will be subject to ordinary income tax and a possible 10% penalty	"Nonqualified" distributions made prior to age 59 ½ will be subject to ordinary income tax and possibly a 10% penalty	Distributions will be subject to ordinary income tax

* Contribution limits shown are IRS maximums for 2015. The 2014 was $17,500.
** A "qualified" distribution occurs when the Roth account has been in place for five taxable years (from the year of first contribution) and one of the following events has occurred: (1) attainment of age 59 ½; (2) disability; or (3) death.

Contribution limits may vary based on income, years of service, previous deferrals, and other factors. Contact your Benefits Office for a calculation of your personal contribution limit for each voluntary program.

Helping more of your money work for you

Out of every **$100** you make

You could let the government take **$25** in taxes* and save only **$75** . . .

Or you could put **$100** into a tax-deferred/tax-advantage plan.

* Assumes state and federal income taxes of 25%. Distributions from a tax-deferred plan will be taxed as ordinary income when distributed and will be subject to an Internal Revenue Code (IRC) 10% premature distribution penalty tax if taken prior to age 59½, unless an IRS exception applies.

A plan that gives you a tax choice

Traditional 403(b) Option

- contributions go in pre-tax
- earnings are tax deferred
- taxes are due upon withdrawal

Roth 403(b) Option

- money goes in after-tax
- earnings are tax free
- tax-free withdrawals as long as certain qualifying conditions are met*

Combination of Both Options

*Distributions of Roth 403(b) contributions will be tax-free for federal income tax purposes if they are ‘qualified distributions’ which means the funds are held for a 5 years and the distribution is due to attainment of age 59½, death, or disability.

Consider both if you . . .

- Aren’t sure whether your taxes will be higher or lower when you retire
- Want to diversify your tax strategy
- Still want to reduce your current taxable income

Seek the advice of a tax attorney or tax advisor prior to making a tax-related insurance/investment decision.

Additional savings opportunities with 457(b) plans

Consider both plans . . .

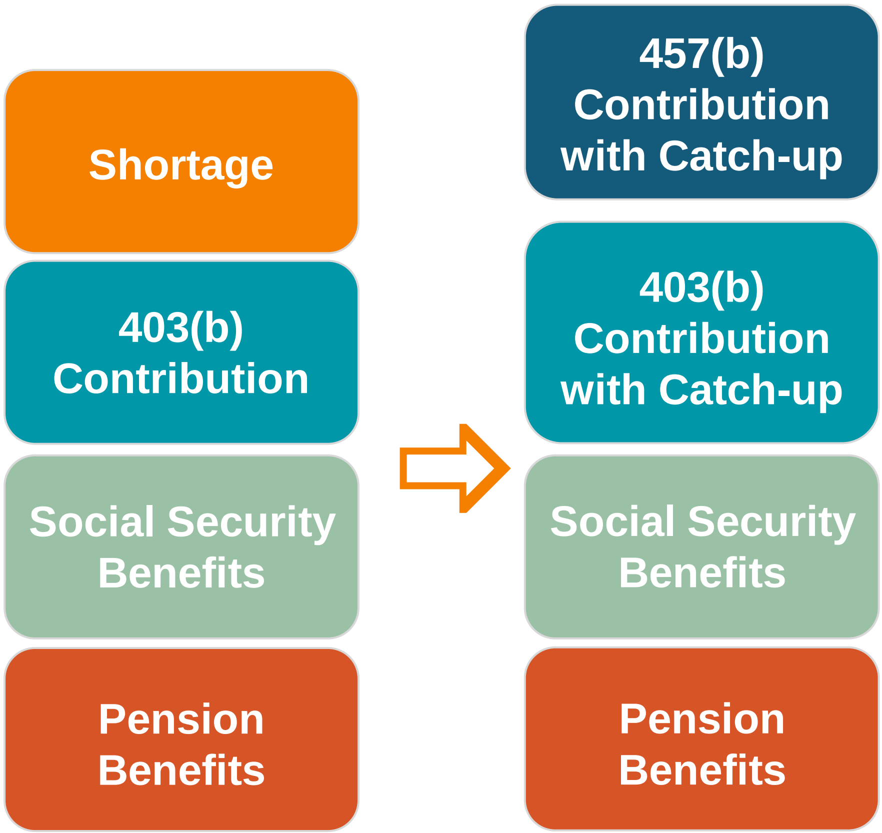
Participate in both a 403(b) and a 457(b) and you can contribute the annual maximum (including catch-ups) to **both** plans.

Generally, the 10% Internal Revenue Code (IRC) premature distribution penalty tax on early withdrawals doesn’t apply to 457(b). This means that if you need to take a distribution before you reach age 59½, consider taking the distribution from your 457(b) plan, provided you have a triggering event.

See your Summary Plan Document or contact your Human Resource Department for more information about the plans.

Contributions to *both* a 403(b) and a 457(b) can help further reduce your retirement income shortage.

Income Needs and Sources



Payroll deductions make contributing painless!

Pay yourself first!

Contributions are **automatically** deducted from your pay.

When you don’t see it, you don’t miss it . . .

. . .And you don’t spend it!

The longer you wait, the more it may cost

$48,000

$191,696

Susan started saving $100 a month at age 25. After 40 years, she saved $191,696.

$72,000

$136,694

Larry started saving $300 a month at age 45. After 20 years, he saved $136,694.

Total contributions

Total pre-tax savings at age 65

In this example, Larry ended up contributing 3x's ***more*** per month and a total of $24,000 ***more*** than Susan and yet his account ended up $55,002 ***less*** than hers.

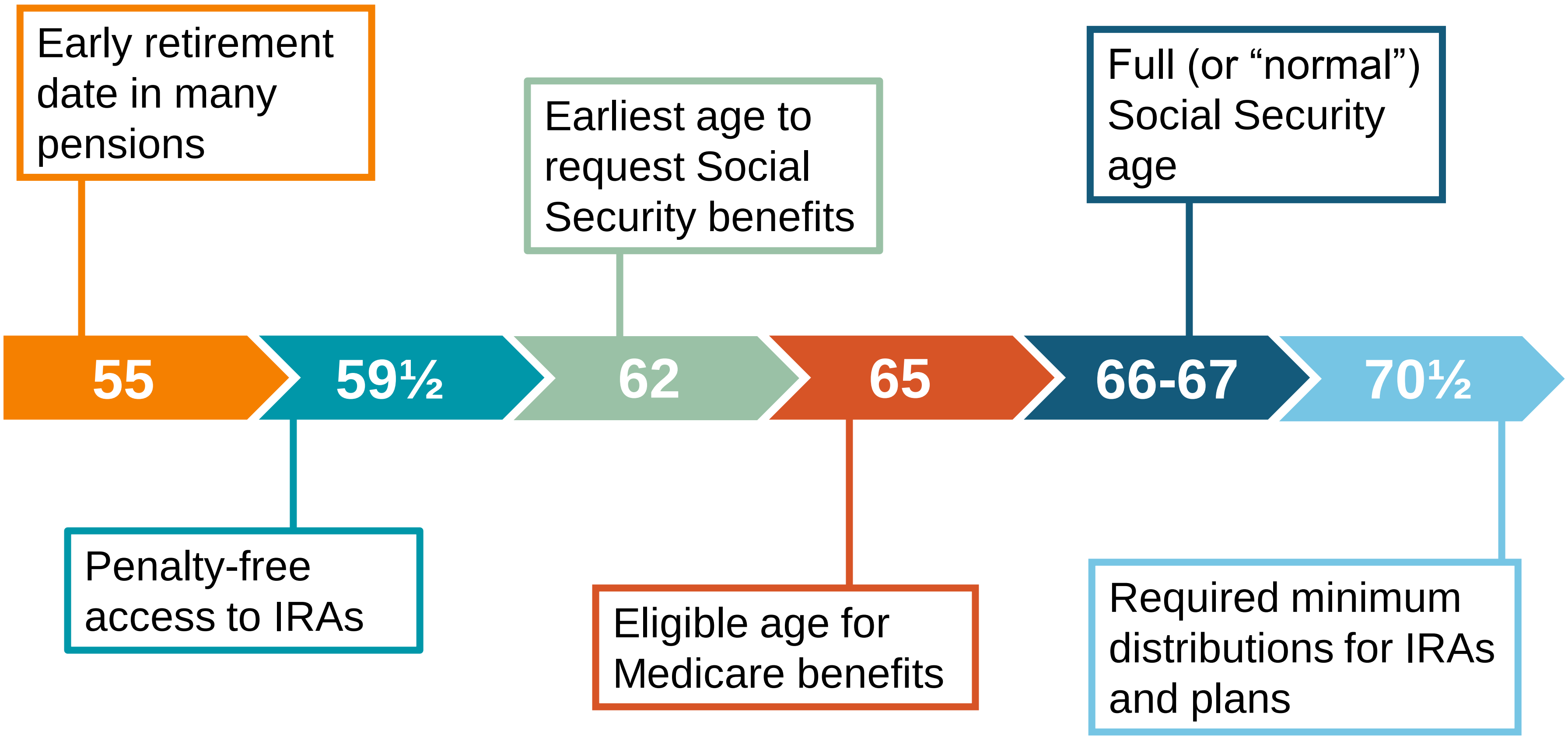
Hypothetical illustration assumes each tax-deferred account earns a 6.00% annual rate of return (compounded monthly) and a retirement age of 65. Does not reflect the rate of return or incurred costs of any particular investment. Fees and charges would reduce the numbers shown. Does not reflect effect of inflation. Not intended to serve as financial advice or as a primary basis for your investment decisions. Taxes are generally due upon withdrawal. Systematic investment does not ensure a profit nor guarantee against loss. Investors should consider their financial ability to continue their purchases through periods of low price levels.

4 Planning - Putting it all Together

Turning savings into income takes skill

Employer plans 403(b) 401(k) Small business plans	**IRAs** Traditional Roth Rollover
Employee benefits Pension	**Personal assets** Taxable accounts Real estate Bank CDs

Income sources and benefits at specific ages



Action Steps

Time to take action.

- Start planning and preparing now.
- Set Objectives! Plan your future life and determine your retirement income target
- Consider yourself the only source of your retirement income.
- Plan for every phase of your retirement.

  You need a retirement plan, a distribution plan, even an estate plan. We can help!

Voya

We're proud to help you with your retirement planning!

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