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The Pension Planner

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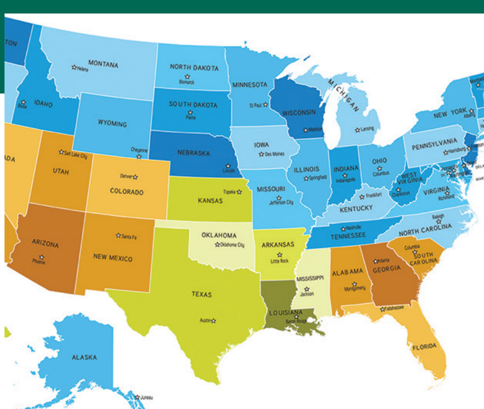

Inside

Pension Benefit Payment Forms: Why choose one over another

One of the most important decisions you'll have at retirement is choosing your pension payment form, of which there are four (and additional options within two of those forms). Your choice affects how your beneficiary(ies) is paid, determines whether your pension payment will have a reduction taken in order to continue lifetime payments for that beneficiary, and is based primarily on your marital status and, in some cases, the ages of you and your beneficiary.

IF YOU'RE MARRIED*, your "normal form of payment" (automatic) is the 50% Joint and Survivor form. As the name implies, this type of payment affords survivor protection for your spouse should you die first. Your monthly payments are reduced in exchange for this protection against your surviving spouse having insufficient income after your death. The amount of the reduction is based on your age and your spouse's age when your payments begin. Essentially, the benefit is paid out over two (joint) retirement lifespans. Your spouse receives lifetime monthly payments equal to 50 percent of your benefit when you die.

Although this payment form is required for married participants, your spouse can waive his or her right to receive it. So, what are the reasons for *not* waiving it?

- Your spouse has no other means of income.
- Your life expectancy is short.
- Your spouse's life expectancy is long.
- Your spouse is much younger than you are.

If your spouse waives his or her right to receive the 50% Joint and Survivor, you can opt instead for the Five Year Certain or Ten Year Certain, or without his or her consent, choose the 75% Joint and Survivor or Contingent Annuitant. Why the difference with consent? The Five and Ten Year Certain forms mean a potentially lesser benefit for your spouse than the Joint and Survivor. The 75% J&S and Contingent Annuitant are not lesser benefits, so no consent is required.

The 75% Joint and Survivor works the same way as the 50% J&S except that your monthly payments are further reduced to provide for your surviving spouse receiving 75 percent of your payments each month after you die. Like the 50% J&S, the reduction is based on your age and your spouse's age when your payments begin. The reasons for choosing this form of payment are similar to those for choosing the 50% J&S, with the following addition:

- You want your spouse to have a larger benefit.

Note that with either form of the Joint and Survivor, you cannot change your beneficiary after you begin receiving your benefit.

The Contingent Annuitant form of payment has four options: 50%, 66 2/3%, 75%, and 100%. Like the Joint and Survivor, your monthly payment is reduced to account for the remaining payments going to your beneficiary after you die for the rest of his or her life. Those remaining payments can be 50 percent, 66 2/3 percent, 75 percent, or 100 percent of your benefit. However, unlike the Joint and Survivor, if you should die within five years of beginning your benefit, your beneficiary would receive 100 percent of the remaining payments within that five-year period and then begin receiving the percentage selected at retirement every month thereafter. It's the guarantee that the surviving spouse would receive the full benefit until 60 months into the benefit that causes many married participants to choose the C&A instead of the J&S. Other reasons to choose this option include:

- You want your beneficiary to have a larger benefit.
- You have a short life expectancy.
- You're married but you have a disabled dependent you wish to provide for.

Note that like the Joint

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Pension payment forms, cont.

and Survivor form of payment, you cannot change your beneficiary once you begin receiving the benefit.

When you first hear the terms, **Five Year Certain** and **Ten Year Certain**, you'd be forgiven for thinking they mean the length of time over which you'll receive your retirement benefit. But that's not the case. Your pension benefit is for your lifetime. The terms refer to the period of time in which your beneficiary or beneficiaries would receive the remainder of your pension payments should you die within five years (60 months) or 10 years (120 months) of your pension start date. For example, if you choose the Five Year Certain and die 24 months into your retirement, your beneficiary(ies) would receive the remaining 26 payments. If you choose the Ten Year Certain and die 75 months into your retirement, your beneficiary(ies) would receive the remaining 45 payments. And that would be the end of the benefit. There is no reduction for the Five Year Certain, but there is a reduction for the Ten Year Certain that is based on the participant's age.

There are some reasons why a married participant may want to choose the Five or Ten Year Certain:

- Your spouse has access to alternative sources of survivor protection, such as his or her own pension.
- Limited pension wealth makes it more important to maintain current pension income instead of survivor protection.
- You expect to outlive your spouse.
- Your marital relationship is weak.
- You have life insurance protection.

SINGLE RETIREES have different circumstances and choices to make. For them, the Five Year Certain is the automatic benefit payment form. It provides them with a lifetime benefit that is 100 percent payable to one or more beneficiaries if the retiree dies prior to receiving five years (or 60 months) of payments. (If more than one beneficiary, the payment is split. Each beneficiary does not receive 100 percent.) Why would you want to choose the Five Year Certain?

- You need the penison income.
- You have no heirs.
- You can choose more than one beneficiary.

Note that with the Five Year Certain, you can change your beneficiary after you begin receiving payments.

A single retiree can, however, choose the Ten Year Certain or the Contingent Annuitant form of payment (Internal Revenue Service restrictions may prevent single retirees from choosing the 66 2/3%, 75%, or 100% options). In the case of the Ten Year Certain, retirees are provided with a guaranteed lifetime benefit that is reduced in order to cover the longer period of time in which a beneficiary or beneficiaries can collect 100 percent of the remaining payments should you die prior to receiving 10 years (120 months) of payments. Who would want to choose the Ten Year Certain?

- Someone who would like to name more than one beneficiary.
- Someone who has a short life expectancy.

Note that with the Ten Year Certain, you can change your beneficiary after you begin receiving payments.

Just as a surviving spouse can receive 100 percent of any remaining payments within 60 months of your pension benefit start date when you choose the **Contingent Annuitant**, so can the beneficiary of a single retiree. Why would you choose the Contingent Annuitant?

- Your life expectancy is short.
- You have a disabled dependent.

If you select the Contingent Annuitant form of payment, note that you can only choose one beneficiary and cannot change that beneficiary once you begin receiving your benefit. •

**Due to the Supreme Court's decision regarding the Defense of Marriage Act, the Plan is working to understand the law while awaiting further guidance from the federal government.*

Preretirement survivor benefit for participants who die before retirement

Preretirement survivor benefits are available to vested participants who die before they begin receiving their pension benefit payments.

To qualify, you must be vested and:

- Die while in active employment, or
- Die while receiving a pension disability benefit, or
- Die after you terminate employment and before your pension benefit payments begin while you're entitled to a deferred pension benefit.

If you're an unmarried, vested participant who began or was in covered employment on or after Jan. 1, 2002, you can designate one beneficiary. **If you don't designate a beneficiary, no benefit will be paid!**

If you're married, your spouse automatically will be designated as your sole beneficiary. Married participants may, with their spouse's consent, name a different beneficiary by completing a Beneficiary Designation Form that is available from the Plan office and on our Web site. If your spouse predeceases you and you don't name a new beneficiary, no benefit is paid. •

YOUR MONEY

Little things add up, or how to save thousands of dollars a year

Jeff Yeager, who wrote "How to Retire the Cheapskate Way," has turned his attention to ways anyone can save several thousand dollars a year by making little changes to their lifestyle.

Use a rental car instead of your own vehicle when you have to drive far.

Taking advantage of fierce competition in the car rental industry can save you $50 a day for every 300 mile trip you take. Yeager explains: If renting an economy car that gets 30 miles per gallon costs you $25 and allows you to keep your 20 mpg car at home, you'll save about $17.50 in gas (figuring $3.50 a gallon) and close to $60 in vehicle depreciation (using a depreciation rate of about 20 cents a mile).

Make sure your car's gas cap is tight.

When you hear a click, you'll know the cap has sealed. Believe it or not, having a loose cap can cost you up to $160 in evaporated gas.

Don't wash your clothes as often.

According to Yeager, no one else in the world washes their clothes as much as Americans do. Of course, dirty, stained clothes need regular washing, but most clothing simply needs an airing out between washings. And since a typical load of laundry costs about $1.00 in water and electricity, cutting back by two loads a week can save you more than $100 a year.

Wash your clothes in cold water.

Unless directed otherwise by the manufacturer, using cold water not only saves you about $100 on your yearly water-heating bill, it also prolongs the life of your clothes.

Use a clothes line.

All that lint in the dryer? That's your clothes rubbing away. But aside from extending the life of your garments, a typical family can save $100 to $200 in energy costs a year.

Shop for services during quiet times.

Car mechanics are slow mid-week, tree surgeons aren't busy in the winter, and carpet cleaners slow down after the holidays. Because of this, you may be able to successfully ask for a discount on the service.

Cancel obsolete life insurance policies.

If your children are grown, you probably don't need life or disability insurance anymore. Your yearly savings could be thousands on this alone. •

The secrets of healthy people

Do you know someone who never gets sick? A cold affects everyone on your floor, but not her. What's her secret? Is it good genes, vitamins, or something else?

It could be brewer's yeast. A single tablespoon of brewer's yeast has the recommended daily allowance of most B vitamins, including folate. Not only does folate break down the amino acid homocysteine, which has been linked to a higher risk for stroke and heart disease, it also may reduce your risk for many cancers, including colon cancer.

Other B vitamins help maintain the health of blood cells, nerves, and your immune system. Finally, brewer's yeast contains many minerals, including chromium, which helps to reduce blood sugar and improve glucose tolerance.

The recommended dosage of brewer's yeast is one or two tablespoons dissolved in water or sprinkled on cereal or yogurt.

It could be cold showers. As unpleasant as they are, cold showers help increase your level of disease-fighting white blood cells. Exposing yourself to cold water also may increase levels of one of your body's major antioxidants, glutathione. But don't just stand there under the cold water. Turn the shower on and off to lather up and rinse. Experts caution those with a heart condition, Raynaud's disease, or blood pressure problems to talk to their doctor first.

It could be garlic. Garlic can attack both bacteria and viruses. In addition, some of garlic's active ingredients keep platelets from forming blood clots in the arteries. It also has been found to lower blood pressure by about 10 mm Hg.

It's suggested that you chew a clove of garlic when you feel a cold coming on. Cooking, however, may reduce some of its benefits.

It could be probiotics. Not only do probiotics, found in such fermented foods as yogurt, kefir, kimchee, sauerkraut, kombucha, pickles, rejuvelac, tempeh, miso, and vinegar, make it more difficult for bad bacteria to thrive in your intestine, they also can boost your immune system, lower blood pressure, and reduce cholesterol.

Fermented food enthusiasts recommend that you eat one or more servings a day.

It could be the pH balance. Believers in the pH theory contend that people's shift away from a plant-based, alkaline diet causes our bodies to lose a neutral pH level. If you want to give it a try, you'll need to establish your pH baseline, which you can do by purchasing a pH test-strip kit at a pharmacy or health-food store. Most people find they're slightly acidic. If so, you can adjust your pH balance by eating more highly alkaline foods such as vegetables, legumes, and olive oil. •

I must say, I rather like it

It's taken former NYSNA Pension Plan and Benefits Fund Communications Representative Judy Whitley five months to really feel like a retiree. The first month, January, she was still busy with holidays and family, so her retirement status hadn't registered yet.

February felt "like an extended vacation."

By March, she had to "check [her] calendar to see what day it was." She felt free!

Judy's long-time plans were to return home to North Carolina, plant some vegetables, and spruce up the landscaping. Within three months, however, she understood the old adage, "You can't go home again," and returned to New York where, she says, she's found some breathing room and time to reflect on how she got to where she is now.

Retirement is a blessing, she reports, as are the pension and Social Security benefits deposited into her bank account every month.

"Truth be told," she admits, "sometimes I feel a little guilty that I get paid to do nothing. But that's short lived! I worked more than 45 years for this reward." Judy says that retirement is a time for celebrating one's accomplishments.

Continued on next page

Ask the Pension Plan

Will I be eligible for a pension if I leave a participating employer before I retire?

Yes, but only if you have been vested in the Plan. To be vested, you must have at least five years of credited service, including at least one year of future service. You will be eligible to receive a deferred vested benefit once you reach your normal retirement date, and will need to notify the Plan office to begin the process. Your deferred vested benefit is based on your credited service and final average earnings while working in covered employment. Your pension benefit will not increase in value, because you no longer are earning credited service time.

You will receive a pension evaluation within 18 months after leaving employment. The document will contain specific information concerning the amount of benefit for which you are eligible. You may be eligible to receive an early retirement benefit prior to age 65, subject to early retirement reductions. Early retirement benefits are paid at a reduced amount, because the amount you've accrued will be paid out over a longer period of time. The Plan office and pension analysts can answer any questions you may have.

Should you leave a participating employer, be sure to keep the Plan office up to date with any change of address, phone numbers, or marital status, as we continue to send out valuable and important information that will affect you. •

Five stages of retirement

Longer life spans have changed how we view retirement. It used to be that you retired and did some traveling and puttering around the house until your health declined. But now, there's a 45 percent chance that one half of a 65-year-old married couple will live to be 95. This reality spurred Ken Dychtwald, co-author of "The Power Years: A User's Guide to the Rest of Your Life," to identify the five stages of a modern retirement.

The first stage actually occurs about 15 years before retirement. That's when people realize how close it is and start to think about what they'd like to do and how they'd like to live. Dychtwald calls this stage **"Imagination."** A survey he conducted with the help of a polling firm found that in this first phase of retirement:

- 65 percent of those surveyed expected to have great adventures;
- 53 percent expected to be empowered; and
- 72 percent were saving money.

However, only 44 percent considered themselves to be saving what they should to finance these expectations.

About five years prior to retirement, people begin to anticipate their job departure. According to the survey, this **"Anticipation"** phase finds that:

- 80 percent expect retirement to be wonderful;
- 72 percent are contributing to their 401(k)s;
- 81 percent have a separate retirement account;
- 67 percent expect to intersperse leisure time with some work;
- 41 percent worry about paying for health care;
- 22 percent think they'll feel a sense of loss; and
- 18 percent expect to feel empty.

Stage three is the **"Big Day."** Of those surveyed who had

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The PensionPlanner

The Pension Planner is published four times a year as a service to participants of the New York State Nurses Association Pension Plan. The information in this newsletter is not intended to be complete Plan information, and is not a substitute for the *Summary Plan Description*. Please address questions about this newsletter to the Communications Department.

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Retirement stages, cont.

already experienced it:

•78 percent were quite enjoying their retirement;

•89 percent considered themselves to be busy; and

•72 percent were satisfied with the state of their finances.

Dychtwald reports that the euphoria lasts about one year. Then the **"Reorientation"** phase sets in and lasts anywhere from two to 15 years. This is when the percentage rate of people who are enjoying retirement drops from 80 to below 65, with nearly 25 percent of retirees not knowing what they should be doing.

What retirees do with this time is determined by what emotional group they fit into. Take-charge people reinvent themselves (19 percent), carefree retirees are content to simply slow down (19 percent), some people haven't figured out what to do yet (22 percent), and the remainder struggle and are unhappy (40 percent).

Finally, about 15 years after retirement, people tend to accept they are in what's called the **"No Go"** phase. Perhaps a spouse dies and illness is inevitable. People worry about spending down their money in a nursing home. In fact, Dychtwald says, they worry much more about their ability to pay for a nursing home than anything else.

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Retiring to a tax-free state: It's wise to do a test state tax form first

Although seven states – Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming – have no broad-based income taxes, and New Hampshire and Tennessee tax only interest and dividends, you'd be smart to look a little further into the matter, according to *Consumer Reports Money Advisor*. For example, Tennessee has the nation's highest sales tax at 7 percent, plus an average local rate of 2.43 percent. And New Hampshire ranks third and Texas ranks fourth in property taxes, according to the Tax Foundation.

Here's a chart showing how 31 other states and the District of Columbia treat your income from Social Security and pension benefits:

State	Social Security	Private Pensions (such as the NYSNA Pension Plan)	Public Pensions
Alabama	No state tax	Some exclusion	No federal, state, or local tax*
Arizona	No state tax		
Arkansas	No state tax	Some exclusion	
California	No state tax		
Colorado		Some exclusion	
Delaware	No state tax	Some exclusion	
Georgia	No state tax	Some exclusion	
Hawaii	No state tax	Some exclusion	No federal, state, or local tax*
Idaho	No state tax		
Illinois	No state tax	Some exclusion	No federal, state, or local tax*
Indiana	No state tax		
Iowa		Some exclusion	
Kansas			No federal, state, or local tax*
Kentucky	No state tax	Some exclusion	
Louisiana	No state tax	Some exclusion	No federal, state, or local tax*
Maine	No state tax	Some exclusion	
Maryland	No state tax	Some exclusion	
Massachusetts	No state tax		No federal, state, or local tax*
Michigan	No state tax	Some exclusion	No federal, state, or local tax*
Mississippi	No state tax	No state tax	No federal, state, or local tax*
New Jersey	No state tax	Some exclusion	
New York	No state tax	Some exclusion (exemption for private pensions capped at $20,000)	No federal, state, or local tax*
North Carolina	No state tax	Some exclusion	
Ohio	No state tax	Some exclusion	
Oklahoma	No state tax	Some exclusion	
Oregon	No state tax	Some exclusion	
Pennsylvania	No state tax	No state tax	No federal, state, or local tax*
South Carolina	No state tax	Some exclusion	
Virginia	No state tax		
Wisconsin	No state tax	Some exclusion	
DC	No tax		

**With some exceptions*

Judy likes it, cont.

She also has a few words of advice for those eyeing the retirement prize. She suggests that you:

•Start planning at least a year ahead of your targeted retirement date.

•Contact the Pension Plan soon enough to get a pension calculation and then notify the Plan 90 days before you're ready to retire.

•Contact the Social Security Administration to determine your final benefit.

•Learn about Medicare. Your Medicare Part B premium automatically will be taken out of your Social Security benefit. Part B covers such outpatient services as doctor visits, physical therapy, and durable medical equipment. Part A covers hospitalization and has, in most cases, no premium. If you plan to relocate or travel, you'll want to have supplemental insurance (Medigap), which doesn't limit your choice of doctors. You'll also need prescription drug coverage through Medicare Part D. If you plan to stay put, Judy offers that "a Medicare Advantage plan is a great choice for your secondary coverage" because it includes prescription drug and other coverage not offered by Medigap.

She cautions that you'll "be inundated with paperwork," but to "read carefully and know that representatives are available to help you through [the] process. Expect some glitches! [But] don't despair, it's just another one of life's challenges."

And last, but certainly not least, Judy recommends reading *The Pension Planner*, as it's "a great source of information about what you need to do."