

**STEEL VALLEY SCHOOL DISTRICT
RETIREMENT GUIDE - 2023**



STEEL VALLEY SCHOOL DISTRICT
RETIREMENT PLANNING GUIDE

Table of Contents

Retirement Planning Guide 2

 Introduction..... 2

 Retirement Timeline..... 3

Income Sources 3

 PSERS 4

 Are you eligible to retire without a penalty? 4

 PSERS Class T-E and T-F 4

 PSERS Class T-D and T-C 4

 Additional Preparation Steps 4

 Processing Time Frame..... 5

 Supplemental Retirement Benefits 6

 Distribution Rules 7

 Taxation of Benefit Payments 8

 Social Security 8

Health Insurance 9

 COBRA 9

 PA Acts 110/43 9

 Collective Bargaining Agreement or Compensation Plan – Post Employment Benefits 10

 Medicare and Retiree Health Benefits 10

Enrollment Requirements 10

 Medicare Part A – Hospital Insurance 10

 Medicare Part B – Medical Insurance..... 10

 Medicare Part D – Prescription Drug Coverage..... 11

 Note:..... 11

 Important Information about Timely Enrollment 11

Post-Employment Benefits..... 11

Health Option Program (HOP)..... 13

 Premium Assistance Reimbursement..... 13

 Dental and Vision 14

 Life Insurance 14

Disability Insurance:14
References.....15

Please Note: The information in this guide is not intended to advise you on which particular retirement choices are most appropriate for you and your family. Those decisions should be made by you, in consultation with your family and financial advisors.

Retirement Planning Guide

Introduction

It's never too early – or too late – to set your sights on the adventures, discoveries, travels, and volunteer activities you wish to enjoy when you retire.

The purpose of this guide is to provide helpful information about the potential benefits that eligible employees may realize upon retirement from the Steel Valley School District (SVSD). In addition to reviewing the information in this guide, you should consult directly with insurance carrier representatives, PSERS representatives, the Social Security Administration and Medicare, as applicable, for more comprehensive information regarding your benefits.

Retirement Timeline

Rule of 55	If you retire the year you are turning age 55 or later you then can access your 403(b) without a penalty. If you retire any age under the year you are turning 55 then you cannot access your 403(b) without a 10% penalty until age 59 ½
Age 59 ½	You are eligible for in-service withdrawals from your 403(b) Retirement Plan account.
Age 62	Review your Social Security benefit options at www.ssa.gov or 1 (800) 772-121. You must be at least 61 years and 9-months-old to submit an application for retirement or spousal benefits, and payments can start as early as age 62. Your age when you enroll plays a big role in determining your payment amount, so take care to see how much you will receive at various claiming ages.
Age 64 + 8 months	You are eligible to apply for Medicare. If you are still working for SVSD and are covered under an SVSD medical plan, you do not have to enroll in Medicare until you plan to retire.
Age 73	If you are no longer working for SVSD, you must begin taking Required Minimum Distributions (RMDs) from your 403(b) at age 73. The RMD penalty in the new Secure ACT 2.0 has been reduced from 50% to 25% and if the mistake is caught in a timely fashion it is reduced to 10%.
Approx 90 days Before retirement	Make an appointment with your retirement investment representative to clarify any questions you may have about your retirement accounts, including current fund allocation, accumulated balances and distribution options before retirement.

If you are retiring at age 62 or older, contact your local Social Security and Medicare offices to arrange for the start of your Social Security Retirement Income. You may call to request an appointment at 1 (800) 772-1213. Informational booklets and a local office locator may be found on the Social Security Administration website at www.ssa.gov.

Income Sources

Experts estimate that you will need at least 70 percent of your pre-retirement income to maintain the same standard of living once you stop working. As part of the retirement planning process, SVSD retirees need to evaluate three main sources of retirement income.

- PSERS
- 403(b)
- Social Security

PSERS

The Public School Employees' Retirement System (PSERS) is an agency of the Commonwealth of Pennsylvania that administers the retirement plan for Pennsylvania's public school employees. Most SVSD employees are covered by PSERS and begin participating in the program either at the time of hire for salaried employees or upon achieving 500 service hours for hourly employees or 80 days for per diem employees. Once covered by PSERS, SVSD employees contribute to the pension fund until they separate from service.

The value of your pension distribution depends on several different criteria including: your PSERS class, age of retirement, length of service at a PSERS covered employer, and history of earnings throughout your PSERS qualified employment.

As you prepare for retirement, it is imperative that you begin to understand what your PSERS pension distribution will be. Employees planning for retirement are strongly encouraged to access their PSERS pension calculator at:

<https://www.psers.pa.gov/Leaving-Employment/Retirement%20Calculator/Pages/default.aspx>

Are you eligible to retire without a penalty?

PSERS Class T-E and T-F

- Age 65 with at least three years of credited service.
- Any age/service combination that totals 92 ("Rule of 92") with a minimum of 35 years of service.
- Example: A member age 57 with 35 years of credited service (57 [age] + 35 [service] = 92) would total 92 and, therefore, would qualify for normal retirement.

PSERS Class T-D and T-C

- Age 60 with 30 years of service
- Age 62 with 1 year of service
- No age requirement with 35 years of service

Additional Preparation Steps

- Make sure to submit any Purchase of Service (POS) request, if applicable. Only actively working members of PSERS are eligible to purchase service credit. Once you terminate Pennsylvania public school employment it will be too late to purchase service credit.
- Attend a Foundation for Your Future (FFYF) Program. The PSERS Foundations for Your Future programs are designed to give public school employees an overview of their retirement benefits. These programs provide all active members with general information about PSERS' benefits and services. Attendance at a FFYF program will help you begin to plan for your retirement early in your career. Each program lasts approximately 90 minutes.
 - The AIU hosts several FFYF presentations per year as well as other school districts. Please review the most current FFYF calendar to determine a date that best suits your schedule.
- Request a PSERS retirement estimate by completing and submitting a Request for Retirement Estimate (PSRS-151). PSERS will prepare two retirement estimates for members who are retiring within the current school year. If you are not retiring within the current school year, PSERS supplies two ways for you to prepare your own personalized retirement estimates using the PSERS online system.
- Schedule a retirement exit counseling session. The exit counseling is offered as a service to anyone retiring in the current school year. Emphasis at exit counseling will be on completion of the retirement application and related forms. The exit counseling sessions will be scheduled to accommodate a small group.
 - Bring your staff-prepared estimate and any other applicable paperwork needed to complete your retirement application. Examples include a completed Direct Rollover form, direct deposit bank information, beneficiary and survivor annuitant information along with survivor annuitant proof of date.
- Notify your Pennsylvania public school employer(s) of your termination date. This is a very important step since PSERS cannot begin to process your retirement application without formal reporting of your termination date from all your Pennsylvania public school employers.
- Please note, your Application for Retirement (PSRS-8) must be received by PSERS within 90 days of your termination date in order to receive retroactive retirement benefits. Even in those situations where there is a pending divorce action or purchase of service, in order to preserve retroactive benefits, the Application for Retirement must still be submitted within the 90-day time frame.

Processing Time Frame

Most retirement benefits are processed within four to six weeks after PSERS receives all of the following information:

- Properly completed application(s)
- Date of termination
- Your last salary and service as reported from your employer

If you terminate employment in June and receive your final pay in August (such as the balance of contract payments throughout the summer months), you will likely receive your first retirement benefit payment in October.

Examples for most school employees:

You terminate June 25	Employer pays you through June	Employer provides final information to PSERS in July*	Your final retirement benefits is paid in late August or early September.
You terminate June 25	Employer pays you through August	Employer provides final information to PSERS in September*	Your final retirement benefit is paid in late October or early November.

* Termination, salary, and service information is due from employers by the 20th of each month for the prior month (June information is due by July 20th).

Supplemental Retirement Benefits

SVSD offers supplemental, voluntary savings options to help employees plan for retirement. These options make it possible for you to save additional amounts to meet your retirement financial goals and realize potential tax benefits. Even small amounts of money invested regularly over your career can provide a significant financial resource at retirement.

All employees are eligible to participate in the SVSD 403(b) supplemental retirement accounts. These plans allow you to enhance your retirement savings through voluntary pre-tax (federal only) contributions to a Tax-Deferred Account (403(b) plan)). Additionally, SVSD offers a Roth 403(b) contribution within the 403(b) retirement plan. Roth contributions are made with after-tax dollars. This option allows you to pay the taxes on contributions now, instead of when you withdraw your funds upon retirement. The Roth feature is beneficial if you expect your income, the marginal tax rate or both, will rise substantially over time, as you may be taxed at a lower rate today than in the future – including in your retirement years.

Employees who are in the retirement planning stage may want to take advantage of the age-based catch-up contributions allowed in the 403(b) plans. Employees preparing for retirement are eligible to make “age 50+ catch-up” contributions beginning in the calendar year in which they turn 50 years old. For calendar year 2023, the IRS limit on age-based catch-up contributions is \$7,500.

Plan	403(b)
Total Maximum Annual Contribution	\$22,500
Age 50 Catch-Up Provisions (for employees age 50 and older as of 2018)	\$7,500

If you have not previously enrolled in a 403(b) plan it is not too late. Participation in a plan can begin at any point in time and is not subject to the traditional benefit open enrollment window. SVSD partners with the TSA Consulting Group (TSACG) to facilitate these programs. Program details and provider information can be obtained on the TSACG website at [TSACG SVSD 403b](#) and the Salary Reduction Agreement (SRA) must be returned to payroll after signing up with a provider.

Distribution Rules

You may wish to defer collecting your retirement income. However, you should be aware that the IRS requires that, after a certain point, you begin to withdraw from your 403(b) retirement plan account. This is known as the Required Minimum Distribution (RMD) rules. Distribution guidelines include:

- Retirement contributions and earnings that were invested after 1986 are subject to minimum distribution by April 1 following the calendar year you either turn 73 or retire, whichever comes later. Therefore, you must begin to receive some income from your retirement plan at this time.
- Once you begin to collect distributions, you must continue to receive income each year thereafter to satisfy the RMD rules. You are responsible for scheduling distributions and your retirement service provider can provide you with guidance.
- If you do not comply with the RMD rules, you could become subject to a 50 percent excise tax on your minimum distribution.
- If you are of sufficient age to begin minimum distributions, you may wish to select the minimum distribution payment option. This option may be appropriate if you want to maximize income deferral and preserve your accumulation, if you have other income that

is adequate for your basic income needs, or if you want to postpone selecting an annuity or other distribution method.

- You can withdraw more than the minimum required amount.
- Your withdrawals will be included in your taxable income except for any part that was taxed before or that can be received tax-free (such as qualified distributions from designated Roth after-tax contributions).
- Consult with your tax accountant or your 403(b) retirement service provider to obtain more information. You may also visit the IRS site at www.irs.gov.

Taxation of Benefit Payments

Benefit payments are included in your income in the year of payment. In addition, substantial tax penalties may be imposed on 403(b) withdrawals prior to attainment of age 59½, death, or disability. You should consult your accountant, tax attorney, or other qualified financial adviser before making a withdrawal from the plan.

In the case of certain benefit payments, you may defer taxation on the payment by electing a direct rollover of all or part of such distributions to an IRA or another employer's eligible retirement plan that accepts rollovers. If a benefit payment is eligible for direct rollover treatment, but you do not elect rollover treatment, the retirement service provider is required to withhold 20 percent of the taxable portion of the benefit payment.

Additionally, retirement service providers may impose a vesting period on invested funds. To determine the length of time invested funds must remain with your service provider or for more information about the taxation of benefit payments, contact your retirement service provider.

Social Security

In planning your retirement, you will need to take into account Social Security benefits. Basic information regarding Social Security benefits is provided here, but you are encouraged to contact the Social Security office or its website www.ssa.gov for a personalized estimate of your benefits.

When you retire, your Social Security benefit amount will depend upon your retirement date, the date benefits begin, and your history of earnings throughout your career.

- **Retiring Early** - Social Security benefits may start as early as age 62; however, the benefit amount is reduced based upon your age when the benefit begins. The early retirement benefit is less than what your full retirement amount would have been if income had commenced at your full retirement age. Benefits payable to people who retire earlier than

their full retirement age are reduced to account for the longer period of time the benefits will be payable.

- **Full Retirement Age for a Full Benefit** - If you were born in or before 1937, the retirement age for full or normal Social Security benefits is 65 years. If you were born in 1938 or later, the normal retirement age for receiving full benefits is increased beyond 65. Please contact the Social Security Administration for more details.
- **Retiring Late** – The latest you can claim Social Security benefit is at 70 years of age. While you can delay retiring until after this age, your benefits will not increase past this age so there is no benefit to delay filing past age 70.
- **Working During Retirement** - **You can work while you receive Social Security retirement benefits; however, your earnings will reduce your benefit amount only until you reach your full retirement age.**

To apply for Social Security benefits, individuals should contact the local Social Security Administration office at 1 (800) 772-1213 at least three months prior to the retirement date.

Health Insurance

COBRA

Health insurance can be continued into retirement at the same level of coverage for the employee and dependents via COBRA. COBRA, or the Consolidated Omnibus Budget Reconciliation Act of 1986, affords certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of health coverage at group rates. Continuation of healthcare through COBRA is available for up to 18 months and can be extended to up to 36 months under additional qualifying circumstances. However, this is only available when coverage is lost due to certain specific events such as retirements. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive, though, than individual health coverage.

COBRA is administered through AMCA and they will invoice the retiree and payment will be remitted to AMCA by the retiree if they are on COBRA and they will pay the district rate plus 5%.

PA Acts 110/43

PA Act 110/43 requires school employers in Pennsylvania to give retirees and their spouses the right to continue coverage in the group health plan to which they belonged during the period of active employment. The coverage may continue **until they are eligible for Medicare benefits** (usually age 65) or until they are covered by another group health insurance

plan. Eligible retirees are defined by Act 110/43 as individuals who meet **one** of the following criteria:

- took superannuation retirement on or after age 65 (age 62 if PSERS class T-C or T-D)
- retired with thirty (30) years of service
- are receiving PSERS disability benefits

Collective Bargaining Agreement or Compensation Plan – Post Employment Benefits

SVSD retirees may also be afforded post-employment benefit programs under the terms of their collective bargaining agreement or compensation plan. Eligibility for post-employment benefits is defined in the individual plans and retirees are encouraged to review the plan terms in place at the time of their retirement date.

Medicare and Retiree Health Benefits

If you or your spouse will be age 65 or more when you retire, or if you and/or your covered spouse become eligible for Medicare due to disability, Medicare will play an important role in your health insurance coverage. The Social Security Administration is responsible for determining eligibility and enrolling individuals in Medicare Parts A & B. Medicare premiums are based on your modified adjusted gross income as reported on your annual tax return reported two years prior to your retirement. Medicare Part D premium is included in your ACSHC plan. If you do not sign up for Part B when you are first eligible, you may incur a late enrollment penalty. To obtain more information about your Part B and D premium, contact Social Security at <https://www.medicare.gov/your-medicare-costs/medicare-costs-at-a-glance>. If you have additional questions on Medicare, contact the Medicare Hotline at 1 (800) 633-4227.

Enrollment Requirements

Medicare Part A – Hospital Insurance

At age 65, whether or not you are retired, you should enroll in Medicare Part A (“hospital insurance”), even if you have SVSD insurance. This can be initiated by contacting your local Social Security office. Once you are within three months of your 65th birthday, you can arrange a telephone interview or make an appointment at your local office for an office visit.

You will need to submit your most recent W-2 form and a birth certificate, or some other proof of date of birth. All supporting documents you submit will be returned to you.

Most SVSD retirees will not be assessed a Medicare Part A premium as they typically paid Medicare taxes for ten years and therefore for premium free coverage.

If you are at least 64 years and 9 months old, you can get an estimate of how much you may pay for Part A by using the Medicare Eligibility and Premium Calculator. Visit

Medicare.gov/eligibilitypremiumcalc or call 1-800-MEDICARE (1-800-633-4227 or TTY 1-877-486-2048).

Medicare Part B – Medical Insurance

Once you are 65 years old and retired, Medicare becomes the primary payer and ACSHIC, HOP, or a private plan becomes the secondary payer. Enrollment in Medicare Part B is required for retirees and their covered spouses aged 65 or older, or any early retiree and/or their spouse who is receiving social security disability and becomes eligible for Medicare.

If you retire at age 65 or older, but do not enroll in Part B at the earliest opportunity, you will be required to pay what Medicare would have paid for any medical services. You may only enroll during the Medicare open enrollment period from January through March. Your effective date of coverage will be July 1, and you may pay a lifelong penalty for the delay in enrollment.

Exception: If you are retiring after reaching 65 years of age or are covering a spouse who is 65 or older at the time of your retirement, this penalty may be avoided as long as you provide Social Security with verification that you were covered by the SVSD's active group plan during period between reaching age 65 and retiring. You must obtain this form from the Social Security office and SVSD's Business Office will assist in completing the form (employer portion) and you must enroll prior to your retirement date (with the effective date of the first of the month after retirement) in order to avoid this penalty.

Medicare Part D – Prescription Drug Coverage

ACSHIC retiree health insurance coverage automatically includes pharmacy coverage. You cannot be enrolled in two Medicare prescription plans simultaneously.

Note: If you are not eligible for or chose not to keep ACSHIC group health insurance, you are still encouraged to sign up for Medicare Parts A, B, and D. If you do not enroll in Medicare Parts B and D when you are first eligible, you may incur a penalty.

For more information about Medicare, contact Medicare at [medicare.gov](https://www.medicare.gov) or 1-(800)-772-1213. For information about Medicare supplemental policies, please contact Pennsylvania APPRISE at 1-(800)-783-7067 or <https://www.aging.pa.gov>.

Important Information about Timely Enrollment

If you are planning to retire on or within the three-month period after your 65th birthday, you should complete your enrollment in Medicare Part B **PRIOR** to the month of your 65th birthday. Otherwise, you may not have Medicare Part B in place by your retirement date. Contact your local Social Security office for more information.

Post-Employment Benefits

As previously stated, SVSD retirees are eligible to continue group provided health insurance following their retirement date through COBRA, Act 110/43, or applicable collective bargaining agreements or compensation plans. Please refer to the plan in place at the time of your retirement to determine eligibility criteria and applicability.

The following scenarios are relevant to retiring employees who are eligible for post-employment benefits through Act 110/43, collective bargaining agreement or compensation plan. Post-employment coverage is through the ACSHIC plan until the terms of the coverage expire.

Example	Employee	Spouse
At age 65 (regardless of employment status)	Sign up for Medicare Part A the month before your 65 th birthday	
At age 65, employee actively working	Coverage will continue with active plan, but employee and spouse should register for Medicare Part A at age 65	
Employee retires after age 65 and spouse is under age 65	Primary Insurance: Medicare Part A and Part B	Primary Insurance: Private health insurance plan (depends on post-employment benefit package) or COBRA, ACT 110 Spouse turns 65: Primary Insurance: Medicare Part A and Part B
Employee retires before age 65 and spouse is under age 65	Primary Insurance: Depending on eligibility criteria, ACSHIC but moved to retiree group. If spouse turns 65 before retiree: Primary Insurance: ACSHIC Secondary: N/A Retiree turns age 65: Primary Insurance: Medicare Parts A and B Secondary Insurance: N/A	Primary Insurance: Depending on eligibility criteria, ACSHIC but moved to retiree group. If spouse turns 65 before retiree: Primary Insurance: Medicare Part A and B Secondary Insurance: ACSHIC, which includes Part D pharmacy plan. Retiree turns age 65: Primary Insurance: Medicare Parts A and B Secondary Insurance: N/A
Employee retires (under age 65) and employee or spouse become Medicare eligible due to disability	The eligible person must sign up for Medicare at the time of eligibility. At that time, health insurance will convert to retiree coverage for both, with ACSHIC being secondary insurance for the Medicare eligible person and primary insurance for the spouse.	

Health Option Program (HOP)

The Health Option Program, or HOP, is available to participants of PSERS, their dependents and survivors. HOP provides comprehensive medical coverage to retirees before and after they become Medicare eligible. HOP eligibility criteria includes:

- PSERS retirees
- Spouse
- Survivor Annuitant
- Dependent child of an Annuitant or Survivor Annuitant

Eligible participants may enroll in a HOP program within 180 days of a qualifying life event. Qualifying life events include:

- You retire or lose health care coverage under your school employer's health plan. Coverage under the SVSD health plan includes any COBRA continuation coverage you may elect under the employer's plan;
- You involuntarily lose health care coverage under a non-school employer's health plan, including any COBRA continuation coverage you may elect under that non-school employer's health plan;
- You or your spouse reaches age 65 or becomes eligible for Medicare;
- There is a change in your family status, including divorce, the death of a spouse, addition of a dependent through birth, adoption or marriage or a dependent loses eligibility. (The death of a retiree is not a qualifying event unless the spouse or dependent will receive a pension from PSERS following the retiree's death);
- You become eligible for Premium Assistance due to a change in legislation; or,
- A plan approved for Premium Assistance terminates or you move out of a plan's service area.

The HOP provides PSERS retirees with many different options including medical plans with or without prescription drug coverage, dental and vision plans. It is highly recommended that SVSD retirees review the material hosted on the HOP website before making a decision. HOP representatives can be reached at 1-(800)-773-7725 or www.HOPbenefits.com.

Premium Assistance Reimbursement

Premium Assistance Reimbursement of up to \$100 per month is available to eligible retirees. To qualify, your medical insurance coverage must be obtained through an approved employer sponsored plan or through the PSERS HOP program as well as meet one of the following conditions:

- You have at least 24½ years of credited service regardless of age; or,

- You terminate school employment and retire at or after reaching age 62 with at least 15 years of credited service or age 65 for someone who first becomes a school employee and an active member or a multiple service member on or after July 1, 2011 (membership class T-E and T-F); or,
- You are receiving a disability retirement benefit from PSERS.

If you meet the eligibility requirements, you can receive Premium Assistance only if you have an out-of-pocket premium from a medical plan offered through the HOP or continue to participate in your former school employer's approved plan. Premium Assistance is not payable:

- For separate dental, vision or prescription drug plans, including standalone prescription drug options offered through the Health Options Program;
- For out-of-pocket premiums for a retiree's spouse or dependents; or,
- If your school employer provides coverage to you at no cost or with non-taxable contributions.

Premium Assistance is added to your monthly retirement benefit as nontaxable income. If you are receiving Premium Assistance for coverage in your school employer plan and that coverage terminates, you must enroll in the HOP to maintain your Premium Assistance.

Dental and Vision

Dental and vision insurance purchased through ACSHIC can be continued through COBRA for a period of 18 months (or up to 36 months in qualifying situations) after your retirement date. Once the COBRA period expires, SVSD retirees can elect to purchase ACSHIC retiree dental and vision coverage, purchase coverage through a HOP program, or elect coverage through an individual policy. The SVSD business office will contact retirees directly to determine if they would like to elect the retiree coverage and provide billing information.

Life Insurance

Basic Group Life: If your collective bargaining agreement or compensation plan provided you with basic group life insurance, the policy may be converted to an individual term life policy within 31 days of retirement. Otherwise, the coverage terminates. Please contact the SVSD's Business Office at 412-464-3600 x1800 for premium and enrollment information.

Disability Insurance:

Employer-provided disability insurance terminates on the last day of active work.

References

Allegheny County Schools Health Insurance Consortium. (2023). <https://www.acshic.com/>

Health Options Program. (2023). <https://www.hopbenefits.com/>

Medicare. (2023). - <https://www.medicare.gov/>

Public School Employees' Retirement System. (2023). <https://www.psers.pa.gov/Pages/default.aspx>

Social Security Administration. (2023) <https://www.ssa.gov/>

