



STATE OF CONNECTICUT DEFINED CONTRIBUTION PLANS

# OPTIONS TO CONSIDER BEFORE AND AFTER RETIREMENT



1019646-00001-00

# TODAY WE WILL DISCUSS

- 1** *Plan highlights—Save more and understand your benefits*
- 2** *Special Three-Year Catch-Up benefits and form tutorial*
- 3** *Vacation and sick time—Benefits and best practices*
- 4** *Distribution options*
- 5** *Account tools and tips*

# 457 PLAN HIGHLIGHTS

- Employee Contribution: Minimum \$20 per pay period, maximum of \$19,500 for 2020
- Contributions: Pre-tax and after-tax (Roth) contributions allowed
- Special 3-year catch-up option: Up to 39,000 for 2020 (if not eligible for 403(b) Plan)
- Catch-up Contributions: Age 50+ Additional \$6,500 for 2020
- Consolidation of Accounts: Eligible rollovers into the Plan are allowed
- Withdrawals are available upon severance of employment, unforeseen emergency, or attainment of age 70½ or older
- After retirement or separation from service, Required Minimum Distributions (RMDs) must begin by April 1 following the calendar year in which you reach age 72

# 403(b) PLAN HIGHLIGHTS

- Employee Contribution: Minimum \$200 per year, maximum of \$19,500 for 2020
  - You can max out in both the 403(b) and 457 Plan
- Contributions: Pre-tax and after-tax (Roth) contributions allowed
- Catch-up Contributions: Age 50+ additional \$6,500 for 2020
- Consolidation of Accounts: Eligible rollovers into the Plan are allowed
- Withdrawals available upon severance of employment, or in the event of hardship. In-service withdrawals permitted for those age 59½ or older
- After retirement or separation from service, RMD must begin by April 1 following the calendar year in which you reach age 72

# SPECIAL THREE-YEAR CATCH-UP

- *Increases retirement savings*
- *Pre-tax contributions reduce amount of federal and state tax withholding*
- *457 Plan Participants eligible for 403(b) and 457 Plans may contribute IRS maximum to both plans but are not eligible for the Special Three-Year Catch-Up*
- *You may contribute up to two times the IRS maximum limit during the three years before your elected 457 Plan Normal Retirement Age*
  - *For 2020:  $\$19,500 \times 2 = \$39,000$*
- *Age 50+ Catch-up cannot be combined with the Special Three-Year Catch-Up*



# SPECIAL THREE-YEAR CATCH-UP

- *The Normal Retirement Age (NRA) you select for the 457 Plan cannot be any earlier than an age when you could retire under your plan TIER with unreduced benefits, and no later than age 70½.*

## Summary of the State's Pension Plan Normal Retirement Age

<b>TIER I</b>	Normal Retirement	Age 55 with 25 years credited service Age 65 with 10 years credited service Age 70 with 5 years credited service
	Hazardous Duty	Any age with 20 years hazardous duty service
<b>TIER II</b>	Normal Retirement	Age 60 with 25 years vesting service Age 62 with 10 years vesting service Age 62 with 5 years actual service – effective 7/1/97
	Hazardous Duty	Any age with 20 years hazardous duty service
<b>TIER IIA</b>	Normal Retirement	Age 60 with 25 years vesting service Age 62 with 10 years vesting service Age 62 with 5 years actual service
	Hazardous Duty	Any age with 20 years hazardous duty service
<b>TIER III</b>	Normal Retirement	Age 63 with 25 years vesting service Age 65 with 10 years vesting service
	Hazardous Duty	Any age with 25 years hazardous duty service Age 50 with 20 years hazardous duty service
<b>PJERS</b>	Normal Retirement	Age 62 with 10 years vesting service

# SPECIAL THREE-YEAR CATCH-UP EXAMPLE



- *Employee #1, age 58, did not contribute the IRS maximum each year. He wants to sign up for the special 3-year catch-up to make up for all the years when he contributed less than the IRS maximum and wants to retire no later than year 2022.*



- *Employee #2, age 62, has worked for 30 years and did not contribute the IRS maximum during employment. She expects to receive a large lump sum of vacation and sick time and wants to retire no later than year 2023.*



- *Employee #3, age 65, is contributing the IRS maximum and wants to increase retirement savings as much as possible. Employee #3 plans to retire in year 2023.*

# SPECIAL THREE-YEAR CATCH-UP EXAMPLE



*Each employee in the example could fill out the Special Three-Year Catch-Up Form the same way:*

- *Select Catch-Up years: 2021, 2022, 2023*
- *The Normal Retirement Age and year elected is for the purpose of utilizing the Special Three-Year Catch-Up provision for the 457 Plan only.*
- *For employees choosing to use the Special Three-Year Catch-Up option for years 2021, 2022 and 2023, they would select Normal Retirement Age in year 2024 and the age attained in year 2024.*



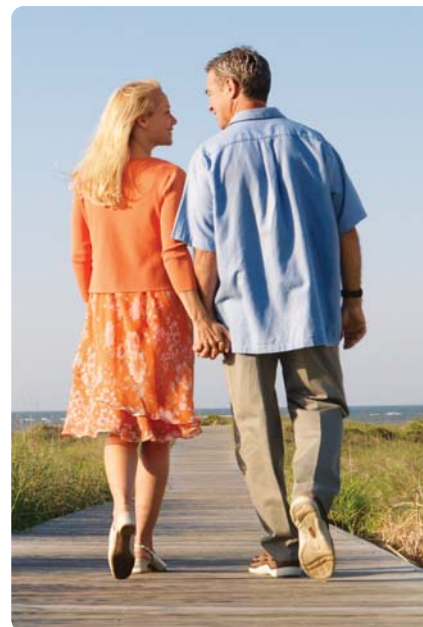
# SPECIAL THREE-YEAR CATCH-UP NEXT STEPS

- *Complete the Special Three-Year Catch-Up Application*
- *Attach your W-2s for each year of underutilized 457 Plan contribution amounts you wish to use*
- *Complete the Special Three-Year Catch-Up worksheet*
- *Mail all materials to the State of CT Healthcare Policy & Benefits Division. The materials will be reviewed and a confirmation letter will be sent to you and Prudential.*
- *Form and Instructions can be found on **ctdcp.com** under the Forms tab in the 457 Plan section.*



# UNUSED VACATION AND SICK LEAVE CONTRIBUTIONS

- *Making pre-tax contributions from your payout reduces the amount of taxes withheld from your final paycheck and boosts your retirement savings*
- *Advance planning is needed because IRS regulations require deferral arrangements to be in place the month before the final payment is made.*
- *Contact your retirement counselor eight weeks prior to your last paycheck date*
- *Detailed information is provided under the Forms tab on the **ctdcp.com** website.*



# OPTIONS TO CONSIDER *BEFORE* *AND AFTER* RETIREMENT

- *Keep money in the Plan*
  - *Same investment options, including GoalMaker<sup>®</sup>, are available to you before and after retirement*
  - *Same access to the dedicated retirement counselor team*
- *Roll other eligible retirement accounts in to the 457 or 403(b) Plan*



# WITHDRAWAL OPTIONS AFTER RETIREMENT

- *Systematic withdrawals*
- *Lump sum—partial or full*
- *Annuitize*
- *Mandatory RMDs*



# ACCOUNT TOOLS TO STAY CONNECTED

- [ctdcp.com](http://ctdcp.com)
- Retirement statement
- Toll-free number **844-505-SAVE** (844-505-7283).

# TOOLS AND TIPS



Determine your retirement strategy



Take action



Make sure your beneficiary designation is current

# THANKS FOR VIEWING THIS PRESENTATION!

Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, applicable taxes, and plan restrictions. Withdrawals are taxed at ordinary income tax rates. Penalty generally does not apply to 457(b) plans.

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