Iowa
RETIREMENT INVESTORS' CLUB (RIC)
Looking forward to retirement!

Distributions
your way

Iowa Department of Administrative Services
Human Resources Enterprise

Looking *forward* to retirement

Once you leave employment, your RIC deferred compensation assets are yours! There are no vesting requirements or surrender penalties.

RIC plans provide great benefits throughout your retirement years.

My goal is to help you become familiar with your RIC plan benefits so you can make informed decisions about your income options and investments.

Today's agenda

- Program review
- Pre-retirement
- In retirement
- Taxes

Program review

The Iowa **Retirement Investors' Club (RIC)** is a

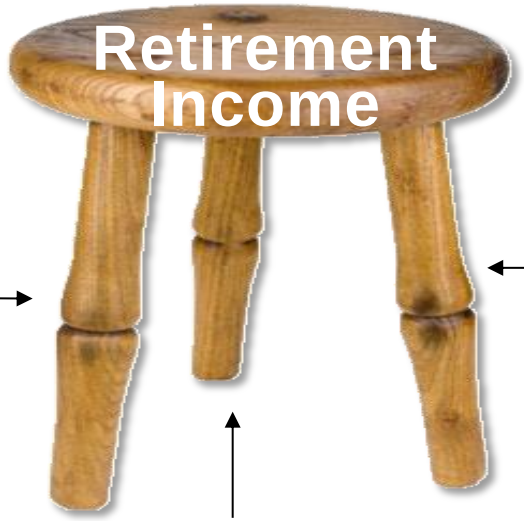
retirement savings plan administered for the exclusive benefit of you and your beneficiaries.

Participants enjoy:

- Tax advantages
- Diversified no-cost/low-cost investment options with no penalties or restrictions
- An additional source of retirement income

Program review

2 sources of retirement income are irrevocable once payments begin. IPERS does not provide COLA.



Social Security

Irrevocable

Personal savings

RIC, IRAs, CDs, mutual funds, etc.

Flexible

Pension

(No COLA)

Irrevocable

Program review (contributions)

- A portion of your wages is automatically deducted from your paychecks.
- Deductions are sent to your 457 plan investment selection(s).
- Annual 457 contributions must not exceed the IRS limits.

IRS Annual Maximum Contribution Limits		2016
Regular	100% of compensation up to:	**$ 18,000**
Age 50+	The regular limit + $6,000:	**$ 24,000**

457 contributions do not reduce Social Security & IPERS benefits.

Program review (contributions)

3-Year Catch-Up qualifications:

- You have not contributed the IRS maximum every year since 1979
- You are within 4 years of normal retirement (IPERS - Rule of 88, Rule of 62/20 or age 65; POR- Age 55 & 22 years of service).

This is a 3 consecutive year benefit.

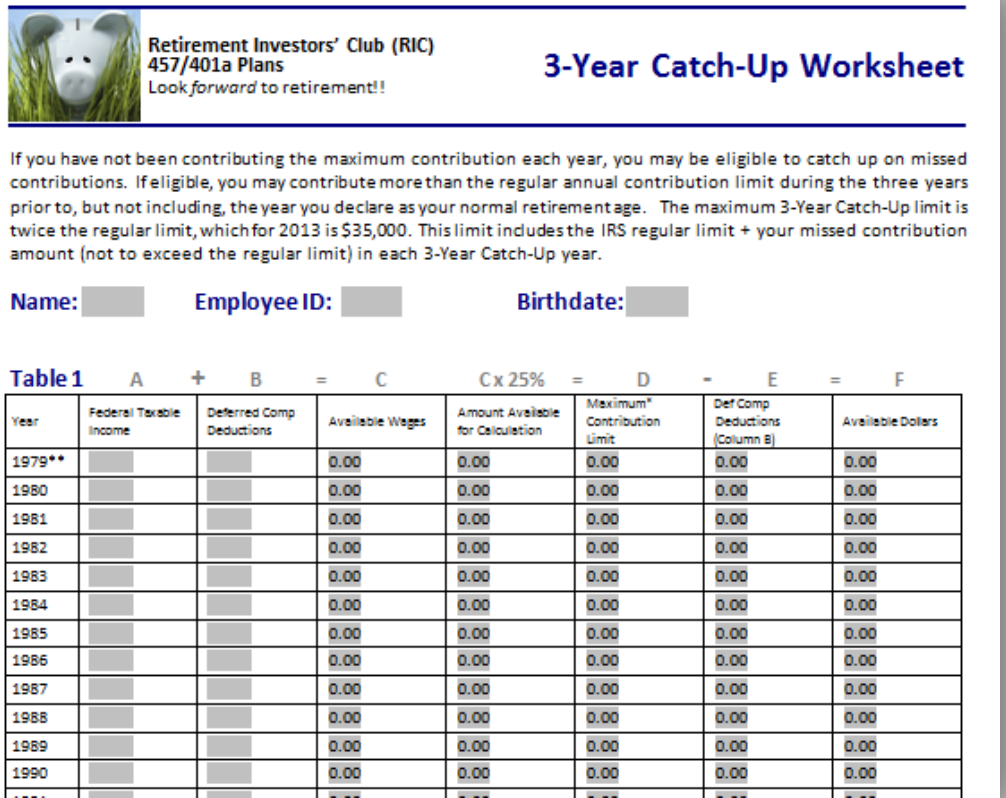
IRS Annual Maximum Contribution Limits		2016
Regular	100% of compensation up to:	**$ 18,000**
Age 50+	The regular limit + $6,000:	**$ 24,000**
3-Year Catch-up	Up to twice the regular limit	**$ 36,000**

457 contributions do not reduce Social Security & IPERS benefits.

Program review (contributions)

3-Year Catch-Up

To find out if you qualify, request a 3-Year Catch-Up Worksheet from RIC or your payroll office.



Retirement Investors' Club (RIC)
457/401a Plans
Look *forward* to retirement!!

3-Year Catch-Up Worksheet

If you have not been contributing the maximum contribution each year, you may be eligible to catch up on missed contributions. If eligible, you may contribute more than the regular annual contribution limit during the three years prior to, but not including, the year you declare as your normal retirement age. The maximum 3-Year Catch-Up limit is twice the regular limit, which for 2013 is $35,000. This limit includes the IRS regular limit + your missed contribution amount (not to exceed the regular limit) in each 3-Year Catch-Up year.

Name: **Employee ID:** **Birthdate:**

Table 1 A + B = C C x 25% = D - E = F

Year	Federal Taxable Income	Deferred Comp Deductions	Available Wages	Amount Available for Calculation	Maximum* Contribution Limit	Def Comp Deductions (Column B)	Available Dollars
1979**			0.00	0.00	0.00	0.00	0.00
1980			0.00	0.00	0.00	0.00	0.00
1981			0.00	0.00	0.00	0.00	0.00
1982			0.00	0.00	0.00	0.00	0.00
1983			0.00	0.00	0.00	0.00	0.00
1984			0.00	0.00	0.00	0.00	0.00
1985			0.00	0.00	0.00	0.00	0.00
1986			0.00	0.00	0.00	0.00	0.00
1987			0.00	0.00	0.00	0.00	0.00
1988			0.00	0.00	0.00	0.00	0.00
1989			0.00	0.00	0.00	0.00	0.00
1990			0.00	0.00	0.00	0.00	0.00

Program review (contributions)

Pretax and post-tax options

You have the choice to have your payroll deductions taken on a pretax and/or post-tax Roth basis.

Program review (tax benefits)

Pretax vs. Roth (post-tax)

	Pretax	Post-tax Roth
Taxing of *contributions*	None	Regular tax withholding
Immediate tax benefit	Lower taxable income	None
Taxing of *earnings*	Tax-deferred until withdrawn	Tax-free if qualified
Consideration	Lower tax rate in retirement?	Higher tax rate in retirement?

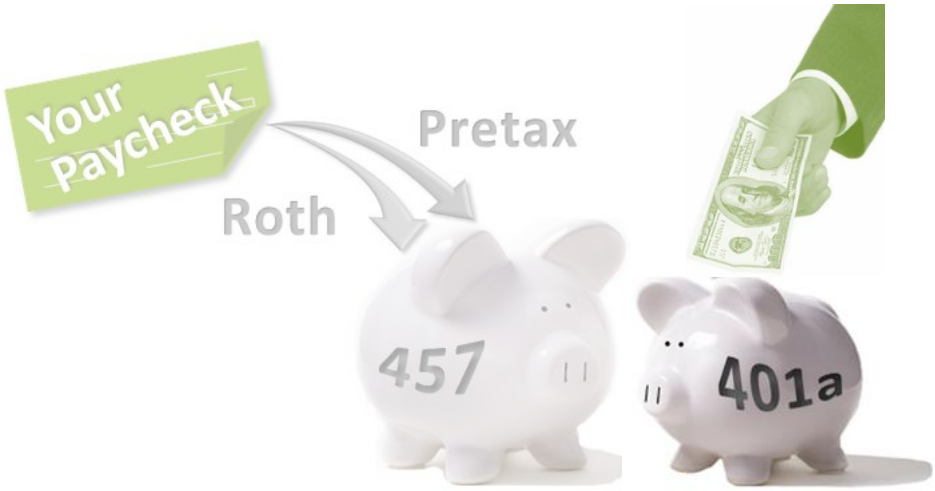
Program review (tax benefits)

Roth 457 vs. Roth IRA

	Type of Roth	Funding Source	Income Limits	Contribution Limits	RMD at 70 ½
Employer-sponsored plan	Roth	Payroll deductions only	None	$18,000 $24,000 $36,000	Yes
Individual retirement account	Roth	Checking, savings, etc.	Yes	$5,500 $6,500	No

Program review (employer match)

Employer Match



The State matches your 457 contributions up to **$75/month**.

Match contributions are deposited into your selection of RIC investments in your 401a account.

Match contributions do not affect 457 contribution limits.

Program review (roll-ins)

Outside retirement plan assets may be rolled into and out of RIC at any time. This is a non-taxable transfer.

457 plan assets from previous public employers

Traditional/rollover IRA, pretax 401k & 403b, etc.

Consider RIC benefits of penalty-free competitive fixed rate accounts, no-load/low-cost mutual funds, expert advisors, etc.

Program review (investments)

Selection process

A public competitive bid* determines which providers will offer investment products and services.

Required minimum standards:

- Diversified, competitive funds
- Restriction and penalty-free investments
- Flexible distribution options
- 24/7 internet/phone account access
- Investment planning tools
- And more at low cost

Investment options must satisfy investment policy standards and annual reviews requirements.

* At least every 6 years

Investments

RIC Providers

Horace Mann | MassMutual Financial Group | VALIC | VOYA Financial™

Fixed Rate

- Declared rate-fixed period
- Guaranteed by provider
- Always liquid
- No market risk
- No restrictions/maturities
- No fees

Variable Rate

- “Mutual Funds”
- No guarantees
- Always liquid
- Degrees of market risk
- No restrictions/maturities
- Fund management fees

Total fee range (1-1-2016)= .04% - 1.28%

Program review (investments)

RIC Providers

Horace Mann

MassMutual FINANCIAL GROUP

VALIC

VOYA FINANCIAL™

Fund Categories

Principal Protection

Fixed Rate
Money Market

Income (Bond)

Core Bond
Inflation Protection
High Yield
Foreign Bond

Balanced (Stock/Bond)

Traditional Balanced
Target Date

Growth (US Stock)

Large Value
Large Blend
Large Cap Index
Large Growth
Mid Value
Mid Cap Index
Mid Growth
Small Value
Small Cap Index
Small Growth

International/Global

Foreign Stock
Emerging Mkts
World Stock

Alternative

Real Estate
Self-Directed Brkg Acc't
(SDBA-fees vary)

Program review (investments)

Access to provider websites, quarterly fund performance, advisor listings, fixed rates, etc. are easily accessed from the [RIC website](#).

Today's agenda

- Program review
- **Pre-retirement**
- In retirement
- Taxes

Pre-retirement

Before you retire, consider…

Contribution options

Investment mix

Pre-retirement

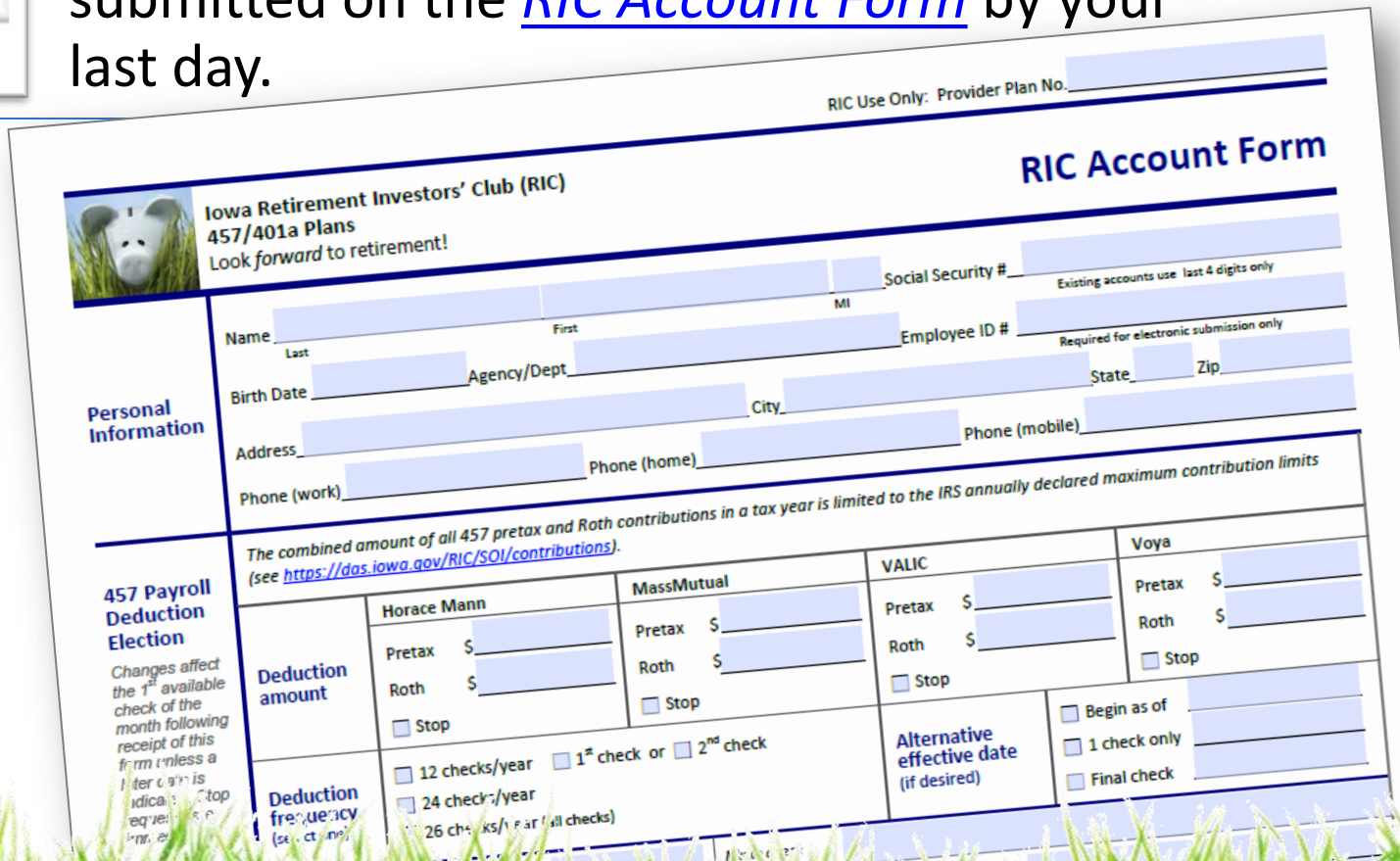
Contribution options – Final pay

You may defer all or a portion of your final pay to RIC. All 457 assets are available at retirement.

Pre-retirement

Contribution options – Final pay

Final paycheck deduction requests must be submitted on the *RIC Account Form* by your last day.



RIC Use Only: Provider Plan No.

RIC Account Form

Iowa Retirement Investors' Club (RIC)
457/401a Plans
Look *forward* to retirement!

Personal Information

Name (Last, First, MI) Social Security # (Existing accounts use last 4 digits only)
Birth Date Agency/Dept Employee ID # (Required for electronic submission only)
Address City State Zip
Phone (work) Phone (home) Phone (mobile)

457 Payroll Deduction Election

Changes affect the 1st available check of the month following receipt of this form unless a later date is indicated. Stop requests must

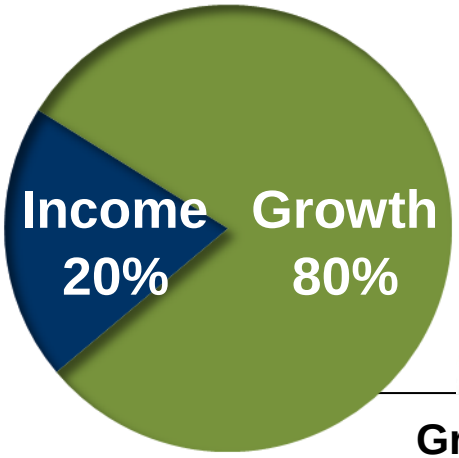
The combined amount of all 457 pretax and Roth contributions in a tax year is limited to the IRS annually declared maximum contribution limits (see https://das.iowa.gov/RIC/SOI/contributions).

	Horace Mann	MassMutual	VALIC	Voya
Deduction amount	Pretax $ Roth $ Stop	Pretax $ Roth $ Stop	Pretax $ Roth $ Stop	Pretax $ Roth $ Stop
Deduction frequency (select one)	12 checks/year 1st check or 2nd check; 24 checks/year; 26 checks/year (all checks)			
Alternative effective date (if desired)				Begin as of 1 check only Final check

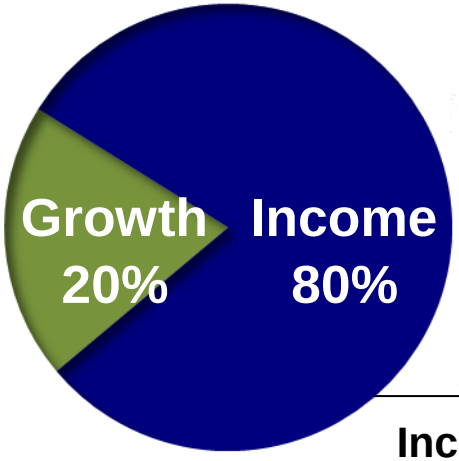
Pre-retirement

Investment Mix

Your risk tolerance and savings goals likely changed over time-your portfolio should too. Ask an advisor to help.



Growth portfolio



Income portfolio

Pre-retirement

Investment Mix

Each investor has different needs and goals as they approach retirement. RIC provides a variety of investment offerings and services.

Help from local advisor at no additional cost	No-load growth funds & auto-rebalancing	Fixed rates, no market risk, fees, or restrictions	Manage my own stocks & bonds online	Target-date funds to provide income in 10 yrs.

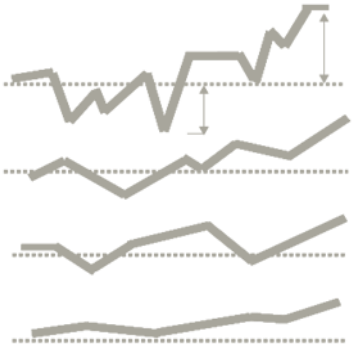
Pre-retirement

Investment Mix

RIC provider representatives can evaluate your investment mix, suggest changes (if needed), and explain the risks associated with each investment.

What kind of *risk* am I taking?

Will this enhance my *nest egg*?



Money markets/savings
IRAs CDs
Savings bonds
Annuities/life insurance
Real Estate
Spouse's 401(k)
Stocks/bonds
Outside mutual funds

Today's agenda

- Program review
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- **In retirement**
- Taxes

In retirement

At separation from employment

You do not have to take your money out until you want it or turn age 70 ½, whichever is first.

You choose how much and when you want to take your money.

Your RIC accounts provide flexible benefits throughout your retirement years.

In retirement

Retiree income/investment needs differ. RIC options include:

Stay invested & defer taxes until age 70½

Partial lump sums as I need them

Guaranteed income for my lifetime

Lump sum for new business & monthly income

Fixed rates & liquid with no fees

Periodic payments I can change

Consider what's most important to you…

In retirement

Make a list of what's important

- Supplement SS and pension income
- Projected date of income need
- Health insurance needs
- Investment goals (safety, income, growth)
- Death benefits (beneficiaries, spouse's income)
- Lifestyle in retirement (hobbies, travel, purchases, clubs, etc.)
- Need for liquid cash (emergencies, extra income)

Bottom line…**You have choices!**

In retirement

- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

In retirement (stay invested)

Staying invested in RIC

- Assets remain tax-advantaged.
- Investments remain liquid - no restrictions or contract fees.
- Changes to investments/providers may be made at any time.
- Account information is available 24/7.
- Eligible roll-ins are accepted at anytime.
- No future contributions allowed.

In retirement (stay invested)

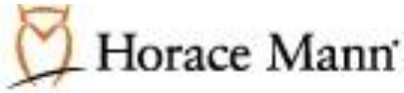
IRS Required Minimum Distributions (RMD)

- You may leave your assets invested until age 70 ½ or retirement, whichever is later.
- At 70 ½, the IRS requires you to begin taking annual minimum distributions.
- Unused assets remain invested unless balance is annuitized.
- The first RMD must begin no later than the April following the year you turn age 70½.
- **If you fail to take distribution on time, you are subject to a 50% penalty on the required distribution amount.**

In retirement (stay invested)

Provider transfers

You may change your RIC provider selection without penalty or restrictions.



If a new provider becomes available, you may take advantage of the new offerings.

In retirement

- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

In retirement (take income)

You may take cash at any time with no product restrictions or fees.

Cash may be taken

- As you need it (flexible)
- As lifetime annuity payments (irrevocable)
- As a combination of both

Distribution requests are made directly to your provider. State authorization is not required.

In retirement (take income)

Flexible periodic payments (*not* based on life expectancy)

- You choose the payment frequency and amount.
- Changes (increase, decrease, stop or start) may be made as your income needs change.
- You continue to have access to remaining balance for distributions and investment selection.

Periodic payment options include:

  - Fixed dollar amount
  - Percentage of assets
  - Even distribution of balance over a number of years

In retirement (take income)

Lifetime Annuity Payments (based on life expectancy)

Payments are an even distribution of your annuity balance **based on life expectancy** (single or joint life).

Once you begin receiving lifetime payments,

- Payments are irrevocable
- No access to unused invested balance
- No ability to select investments
- No transfer of assets to beneficiaries

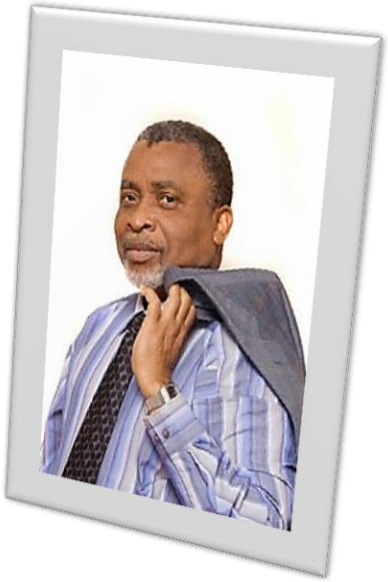
In retirement (take income)

Annuity payments - *Single life calculation*

Payments continue for your lifetime even if you exhaust your account value. May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

Example

Invested amount:	$100,000
Life expectancy:	18 years (The insurance company predicts life expectancy to be age 83)
Income Benefit:	**$9,006.00/yr**



In retirement (take income)

Annuity payments - *Single life calculation*

What if he lives to be age **95**?

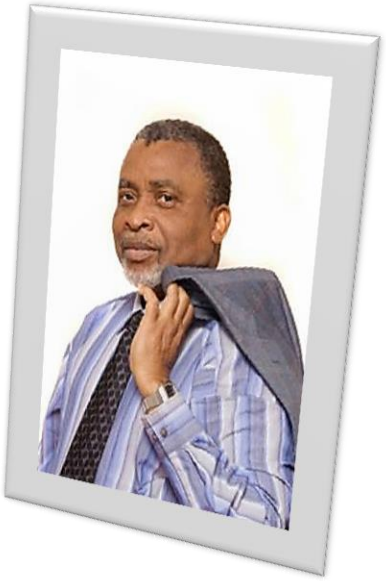
Lifetime benefit
$270,180.00
($9006 x 30 years)

He lived longer than predicted – the system worked in his favor.

What if he lives to be age **70**?

Lifetime benefit
$45,030.00
($9006 x 5 years)

His balance of more than $55,000 will go to the insurance company.



In retirement (take income)

Annuity payments - *Joint life calculation*

Provides income for your lifetime and the lifetime of your designated survivor. This option may be best suited for those who have longevity in their (or their survivor's) family and/or limited income sources.

Example

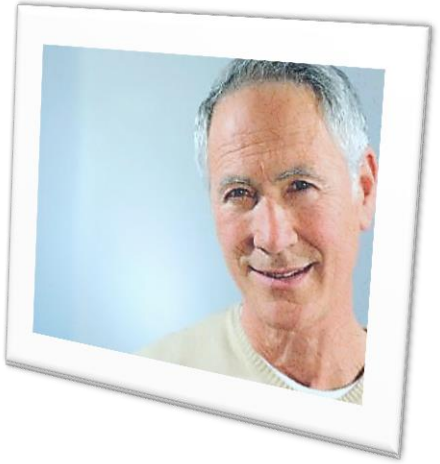
Invested amount:	$100,000
Life expectancy:	27 years (Combined life expectancy of annuitant & survivor)
Income Benefit:	**$7, 600.00/yr**

In retirement (take income)

Annuity payments - *Joint life calculation*

Provides income for your lifetime and the lifetime of your designated survivor. This option may be best suited for those who have longevity in their (or their survivor's) family and/or limited income sources.

If the annuitant's survivor dies before him, he will continue to receive the joint rate of $7,600 per year. Upon his death, the unused portion of his account will go to the insurance company.



In retirement

- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

In retirement (rollover)

Rollover to outside retirement plan

You may roll your RIC assets to an eligible plan outside of RIC*.

Rollovers are non-taxable.

"Should I move to an IRA?" Each investor is different. IRAs have similar investment risks and may be more costly or restrictive than your RIC accounts.

Be ready to compare…

*If rolled to an IRA or other eligible plan, an IRS 10% penalty may apply to taxable distributions prior to age 59 ½.

In retirement (rollover)

They're looking for you

You may hear…	What you know…
"Investment selection is limited in RIC."	RIC has fixed rate options (no fees) plus over 125 mutual funds managed by top-performing investment managers at low cost.
"IRAs are safe."	IRA investments have the same risks as all investments and should not be thought of as safe investments in general.
"You're paying too much in RIC."	RIC has no annual contract, M&E, or surrender fees, and no to low administrative fees. Many RIC fund shares are lower cost than retail shares due to economies of scale.
"IRAs have more payment options."	RIC accounts have no restrictions, surrender penalties, maturities, etc. Your money is always liquid. Payment options are numerous. No withdrawal penalty prior to age 59 ½ for 457.
"I can't help you if you stay in RIC."	They can tell you if the investments you hold in RIC complement what they manage. In many cases they can represent an RIC provider.
"I don't get paid if you stay in RIC."	Low RIC fees are part of the plan design and may not pay the advisor as much as retail investments in IRAs.

In retirement

- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

In retirement (IPERS purchase)

Service Credit Purchase

Once you file for IPERS benefits, you may purchase service credits with both pretax 457 and 401a match assets.

Roth 457 assets are not available for service credit purchases.

Today's agenda

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- Pre-retirement
- In retirement
- **Taxes**

Taxes

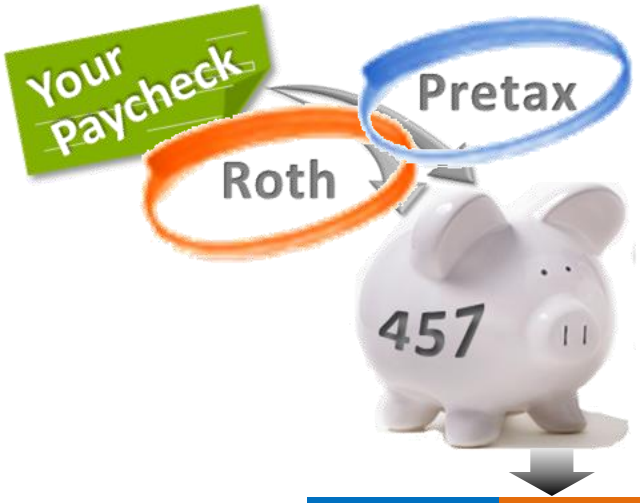
Taxable distributions - taxed as ordinary income and reported on IRS 1099R.

Mandatory withholding - minimum income tax withholding of 20% federal and 5% state*

Tax treatment of distributions differs depending on the taxation of contributions.

* Exceptions on request: Age 70 ½+; annuitization; irrevocable equal payments for 10+ years; reside outside of Iowa (Iowa tax exemption)

Taxes



	Pretax	Roth
Contributions	Taxable	Non-taxable
Earnings	Taxable	Non-taxable if qualified

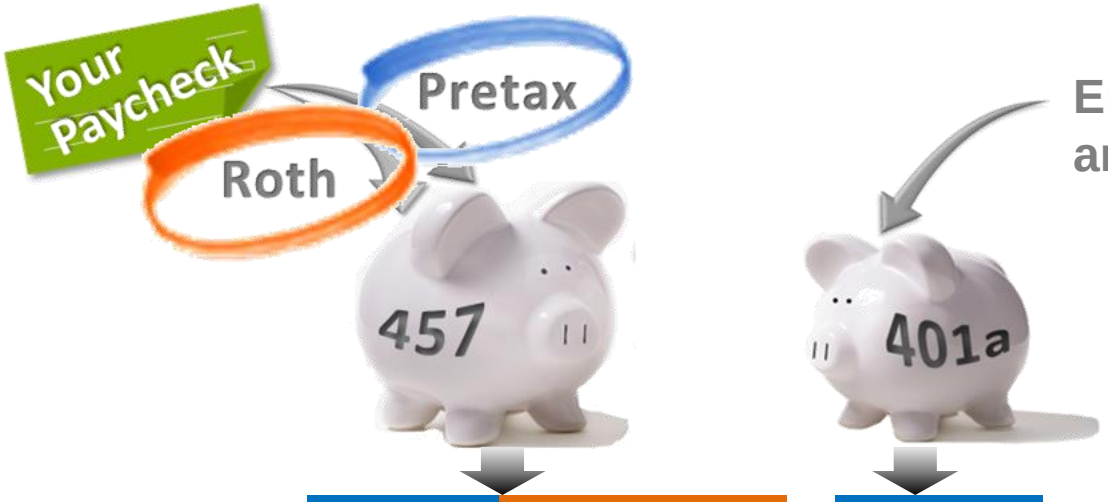
Qualified Roth Distribution:

Roth earnings are tax-free if:

- Distributable event has occurred (separate from employment, turn age 70½, qualify for cash out);
- Roth account open for 5+ years; **and**
- You are age 59 ½⁺ or disabled

Non-qualified Roth distributions subject to taxation of earnings portion of the distributed amount.

Taxes



Employer match and roll-in assets

	Pretax	Roth	Pretax
Contributions	Taxable	Non-taxable	Taxable
Earnings	Taxable	Non-taxable if qualified	Taxable
Age penalty*	No	No	Yes

*IRS 10% early withdrawal penalty may apply to distributions taken prior to age 59 ½.

That's not it!

It's not too late to enroll!

Enrollment is easy

Call a RIC provider

The provider supplies everything you need to open your accounts, choose investments, begin payroll deductions, and start getting the match! Ask the provider to help you through the process.

Horace Mann	877-602-1861
MassMutual FINANCIAL GROUP	800-743-5274
VALIC	800-945-6763
VOYA FINANCIAL™	800-555-1970

Resources

- Call your provider if you have any questions about reviewing your statements.
- Access your account online.
- Review the RIC website. (https://das.iowa.gov/RIC)
- Contact us if you need help.
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