

## Frequently Asked Retirement Related Questions

- Q: I'm thinking about retiring next year, when do I need to make those arrangements?
- A: Since VRS requires their application package 3 months in advance, we recommend you schedule an appointment with the retirement office 3 ½ - 4 months prior to your retirement date.
- Q: Are monthly retirement benefit payments taxable?
- A: Yes, your monthly retirement benefits are subject to state and federal taxes (not FICA or Medicare taxes). While retirees can elect to NOT have taxes withheld on a monthly basis, they **are still responsible for paying those taxes at the end of the year.**
- Q: When will I get my first retirement check?
- A: Both HERS and VRS pay in "arrears". HERS pays the last day of the month, VRS pays on the first day of the following month. If your paperwork is received by VRS the required 90 days in advance, your first "check" should arrive on the first of the month following your retirement date. If you retire on July 1, your first VRS payment will be on August 1<sup>st</sup>.
- Q: What is a PLOP?
- A: PLOP stands for Partial Lump Sum Option – it is one of the "retirement options" available under VRS. **Only employees who work 1, 2 or 3 full years beyond their "full retirement date"** are eligible for the PLOP. Since the employee worked an additional time period, instead of adding money to their monthly retirement benefit they are given the option of taking part of their benefit (due to the additional time worked) in a lump sum, but they are not required to take the PLOP.
- Q: I became eligible for full retirement in October last year because I turned 50 and I already had 31 years of service. Does that make me eligible for a 1 year PLOP if I retire this July?
- A: No, if you retire in July of this year you would not be eligible for a PLOP. To be eligible for a PLOP, you have to work 12, 24 or 36 full months **beyond your first date of eligibility for an unreduced retirement benefit.** Since that date was October of last year for you, you would only be eligible for a PLOP (in this case a 12 month PLOP) if you retire on or after October of this year.
- Q: If I retire and want to keep my health insurance, is it the same coverage I have as an employee?

A: Yes, as long as you and/or your covered spouse are not yet age 65, your medical coverage is the same coverage you have as an employee.

Q: Will my medical insurance rates change when I retire?

A: Yes, retirees are required to pay the full premium for medical insurance upon retirement. Premiums are paid on a 10-month basis, September – June, with coverage lasting 12 months. Your medical insurance as an active employee will terminate on September 30<sup>th</sup> of the year in which you retire.

Q: How do I pay my medical premiums, can they come out of my VRS check?

A: Unfortunately VRS is not yet set up to withhold our retirees' medical premiums but that is something we are working on and hope to set up by the end of 2012. We can however take them out of a retiree's HERS benefit until that time. If you do not receive a HERS benefit payment or your HERS benefit is less than your medical premiums, you can pay the premiums by check to Flexible Benefit Administrators.

Q: Do I have to keep my insurance when I retire?

A: No.

Q: What happens to my coverage when I become eligible for Medicare?

A: Hampton City Schools no longer carries retirees once they reach the age of 65 or become eligible for Medicare.

Q: What happens to my life insurance when I retire?

A: Your Basic Life insurance will continue into retirement at no cost to you, with a value of 2 x your salary at retirement. However, it starts to decline by 25% each January for 3 years after you have been retired for a full calendar year. The final value for the rest of your life is 25% of what the original retirement value was (see the VRS handbook).

Q: What happens to my Optional Life insurance when I retire?

A: If you or your covered dependents have been covered at least 60 months upon your retirement, you will be able to "continue" all or **part of your coverage** (limits apply) with Minnesota Life and they will bill you directly. See the Minnesota Life Optional Group Life brochure - **note: there is a 31 day application period only.**

Q: What happens to my Dental coverage when I retire?

A: You can elect to continue your Dental coverage when you retire until you reach the age of 65.