ALL YOU NEED TO KNOW ABOUT
Phased Retirement, Supplemental Retirement Plans, & the Roth Option

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Professor Emeritus, IU Psychological & Brain Sciences

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SECTION 1

Supplemental Retirement Plans &
the Health Savings Account (HSA)
Supplemental Retirement Plans at IU

Two plans for voluntary employee contributions:

- TDA 403(b)
  - Start or stop contributions any time
  - Pre-tax and Roth (after-tax) contributions
  - Percent of earnings or flat-dollar
  - Catch-up contributions starting at age 50
  - In-service distributions after age 59 ½
  - Rollovers allowed from IRA’s or other plans
  - Learn more at hr.iu.edu/benefits/retirement.html

- 457(b)
### Supplemental Retirement Plans at IU

#### IU Tax Deferred Account (TDA)

<table>
<thead>
<tr>
<th>Feature</th>
<th>IU Tax Deferred Account (TDA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roth Option</td>
<td>Yes</td>
</tr>
<tr>
<td>Rollovers</td>
<td>Yes</td>
</tr>
<tr>
<td>Default Election</td>
<td>Yes. Auto enrolled at <strong>5% pre-tax</strong> contribution rate</td>
</tr>
<tr>
<td>IRS Annual Contribution Limit</td>
<td>$22,500 for 2023</td>
</tr>
<tr>
<td></td>
<td>Age 50+ catch-up contribution:</td>
</tr>
<tr>
<td></td>
<td>$7,500 for 2023</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>In-Service: Withdraw funds at <strong>age 59½</strong> while still working.</td>
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<tr>
<td></td>
<td>After separation: <strong>10% penalty</strong> if withdrawn prior to age 59½</td>
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#### IU 457(b) Plan

<table>
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<tr>
<td>Roth Option</td>
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<td></td>
<td>$7,500 for 2023</td>
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<tr>
<td></td>
<td>OR up to additional $22,500 for age 63, 64, 65 catch-up (special rules apply)</td>
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<td>After separation: <strong>NO penalty</strong> if withdrawn prior to age 59½</td>
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Using your HSA for Retirement Planning

Tips to maximize your HSA:

• Increase contributions to IRS maximum each year
• Don’t forget to add the catch-up contribution starting when you turn age 55
• Make contributions via payroll deduction to receive maximum tax breaks
• Keep your money invested until you need it
• Only use for healthcare to avoid penalties and taxes (can be used for premiums in retirement)
• Seek guidance once enrolled in Medicare Part A
  – Due to ineligibility for tax-free contributions!
Let’s Talk About Key Milestones

Things to be aware of:

**Age 65**

- Medicare Part A Enrollment – not necessary if you will continue to be covered under IU medical plan
- Enrollment makes you ineligible for tax-free HSA contributions (including IU contributions)

**Age 70**

- Social Security Enrollment – benefit no longer grows
- Enrolling in SS will automatically enroll you in Medicare Part A – and it will be back-dated 6 months from application date
- Makes you ineligible for tax-free HSA contributions (including IU contributions)
Beneficiaries

Name HSA & retirement plan beneficiaries with the vendor, NOT through IU Employee Center:

- **Nyhart** iu.nyhart.com
  - Health Savings Account (HSA)

- **Fidelity** netbenefits.com/indiana
  - Base retirement plan (except PERF)
  - Each supplemental retirement plan

- **INPRS** in.gov/inprs
  - PERF base retirement plan

**Common mistake to avoid:** Naming minors as beneficiaries. There are strict laws regarding the payment of benefits to minors, so you should consult a legal advisor to determine the best way to accomplish this under state law.
SECTION 2
IU Phased Retirement Program for Faculty
What Keeps People from Retiring?

- Really **enjoy work**
- **Financial issues**—not enough retirement funds to live on; fear of outliving retirement funds
- Concerns of **boredom, unhappiness, wither away**
- **Painful and unhappy tasks**—e.g., health care
- Anxiety about **psychological adjustments**—loss of career identity; loss of friends and support network from work
- For some, **psychological issues outweigh the financial issues**
Motivations to Retire

Tired of working
- burnt out, no longer enjoy work

Can no longer do work
- health issues
- psychological issues
- family obligations

Field/technology changes
- may have passed you by

Prefer to do other things
- travel
- write the great novel
- spoil the grandkids
Solutions to the Retirement Dilemma

Consider Phased Retirement

• Transition to retirement – reducing workload
IU Phased Retirement Program

Voluntary opportunity to “phase” into retirement while you:

• Continue to work while taking partial leave without pay
• Continue teaching and research efforts in part-time capacity
• Continue IU medical, dental, and other benefits
• Reduce workload by 20–50% for 12–36 months
• Ability to withdraw from retirement funds while still working if needed to supplement income (IU Retirement Plan, TDA and any funds held at Fidelity in a 457(b))
Phased Retirement Eligibility

Faculty class:
- Tenure Track Faculty/Librarian
- Lecturer
- Clinical Faculty
- Professor of Practice
- On-Campus Health Center Physicians
- Teacher
- Dually employed IU and IU Health Physicians
- Research Scientist/Scholar
- Research Associate
- Academic Specialist

Age/service:

<table>
<thead>
<tr>
<th>Age</th>
<th>Years of IU Service</th>
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<tbody>
<tr>
<td>62</td>
<td>16</td>
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<tr>
<td>63</td>
<td>14</td>
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<tr>
<td>64</td>
<td>12</td>
</tr>
<tr>
<td>65+</td>
<td>10</td>
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*Years of IU Service* is prorated for ages that fall between the ages in the table above.
How Phased Retirement Works

1 Agreement created/mutually agreed upon by you, Dean of School, Campus Faculty Affairs, and IU Human Resources

2 You take partial leave without pay and:
   • Designate phased retirement period of 12-36 months
   • Reduce workload by 20–50% (comp prorated)
   • Continue IU-sponsored benefits (medical, dental, etc.)—employee premiums based on prior annual base salary
   • Continue to receive retirement contributions from IU, prorated based on actual wages paid
   • Withdraw IU retirement funds while still working

3 You agree to retire at the end of the Phased Retirement period (or earlier)
Phased Retirement Program Website
hr.iu.edu/benefits/phasedretire.html

- Application
- Frequently Asked Questions
- Checklist for Departments
Let’s hear from someone that has been through Phased Retirement:

Steve Randall
Retired Professor of Biology Emeritus, IUPUI
srandal@iupui.edu
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Retired Professor of Biology Emeritus, IUPUI  
srandal@iupui.edu

- Began Phased Retirement at 67—engaged in program for about 1.5 years then decided to go to full retirement.
- Volunteer on Institutional Biosafety Committee and spend several days a week in a research lab engaging undergrads

Motivation/Considerations:
- **Personal**: decrease effort, shift emphasis of effort, perhaps to slide into post-retirement activities (caveat).
- **Financial**: Phased retirement plan supports health insurance, continues contribution to retirement plan at prorated amount.
- How will you compensate for loss of income?

Strategy:
- Your plan (have alternative plan). Logic; important to outline all your activities and rationalize the % decrease in effort
- But consider what the dept needs most also, certainly puts one in the best bargaining position.
IUHR Events Calendar

events.iu.edu/iuhumanrescal

Explore and register for upcoming HR-related events from:

- Benefits
- Healthy IU
- Training & Organization Development
- Vendors such as Fidelity and Care.com
Thank You!

Questions?