SUMMER 2019

THE CONNECTION

Official Newsletter of the Teamsters Health & Welfare and Pension Funds of Philadelphia and Vicinity

Hey, How's My Pension Fund Doing?

The short answer is, it's doing "ok" and holding its own!

No doubt you have read or heard that several Teamster Pension plans are in trouble and are in jeopardy of not being able to pay promised benefits. **Fortunately, the Teamsters Pension Trust Fund of Philadelphia and Vicinity isn't among them.**

Under a federal law, known as the Pension Protection Act ("PPA"), the funded status of pension plans is graded among 5 levels. They are:

- "**Green**" – adequately funded (80% or above with no indication of a potential funding deficiency within the next 7 plan years);
- "**Yellow**" – endangered (less than 80% funded OR facing a potential funding deficiency within the next 7 years);
- "**Orange**" – seriously endangered (less than 80% funded AND facing a potential funding deficiency within the next 7 years);
- "**Red**" – critical (generally less than 65% funded AND projected to have a funding deficiency within the next 3-4 years);
- "**Purple**" – critical and declining (critical and projected to be insolvent within the next 19 years).

Plans that are "yellow" or "orange" must adopt a "funding improvement plan" ("FIP") to become adequately funded within ten years of the start of such a FIP. While the FIP is in place, employers cannot reduce their contributory obligation to the plan (and generally must increase their contribution rate) and no benefit improvements may be made. However, and this is important - "yellow" or "orange" plans cannot reduce benefits already earned. "Critical" plans must adopt a rehabilitation plan to improve their funding, which may include reducing accrued benefits already earned. "Critical and declining" plans may, with government approval, even reduce pensions of retirees already in pay status.

Your plan is "Yellow" (endangered) and is currently about 69% funded. **In other words, given the current funded status of your plan, your earned benefits cannot be reduced.** In fact, the funding of your plan continues to improve. In May, our Actuary provided reports to the Board of Trustees indicating that, as of January 1, 2019:

- The Fund continues "steady progress" toward emerging from endangered status within 5 years and hitting 100% funded within 10 years.
- The Fund is not projected to have a funding deficiency as long as it continues to meet its 7.5% return assumption; and
- The Fund is not projected to be insolvent.

Your Trustees carefully monitor investment performance on a monthly basis and funding status each and every year. This information is shared with you in the Annual Funding Notice sent to your home each April.

ARE YOU READY FOR RETIREMENT?

One of the most important decisions you will make in your career is the selection of your pension option, yet many members wait until a few months (or less) before retiring to consider which option best meets their and their family's needs. By delaying a review of their options, members often find themselves forced to accept the cost, in the form of significantly reduced retirement benefits, by choosing a survivorship option.

It is not unusual to see a benefit reduction of $500-$600 per month to provide even partial survivor benefits to support the member's family in the event of the member's death. In some cases, we have seen monthly benefit reductions of nearly $1,000. That's $12,000 in just one year!

Who needs a pension review? Anyone with a spouse or children and who wishes to ensure their survivors are provided a continuing benefit or lump sum from their pension.

Does the Pension Fund provide options? Yes, but it's often possible to provide for your survivors at a lower cost than provided through your pension fund's survivor options. In some cases, pension maximization strategies may include future income increases directly to you, while providing survivor benefits for your family.

When should you have a pension option review completed? While we are happy to help Fund members who are ready to retire, it is best to begin a pension option review two to five years before you plan to retire. This is especially important if you have existing insurance policies that haven't been reviewed in the last two years.

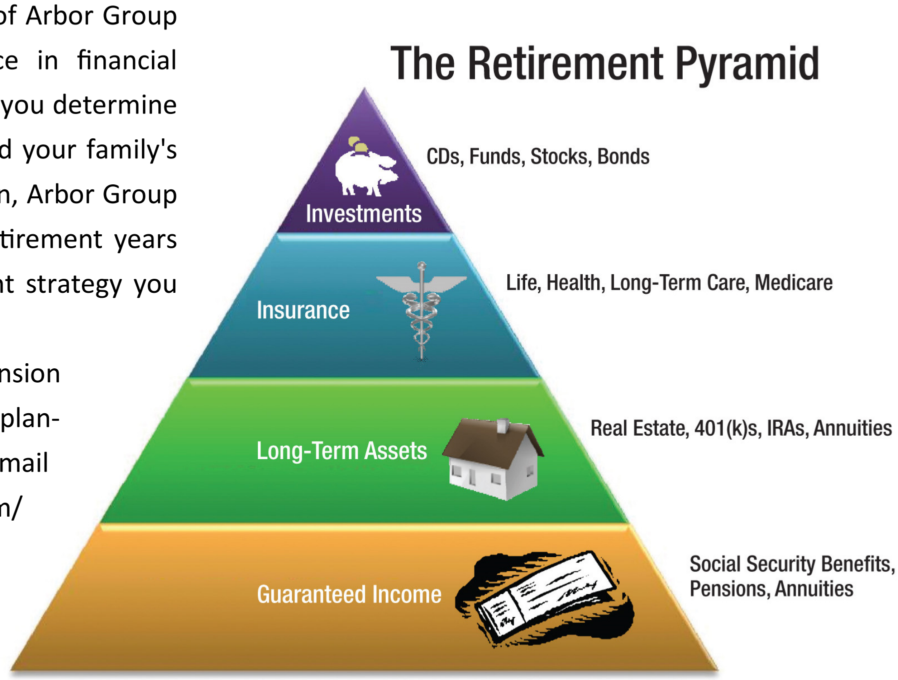
When you are in retirement, are your assets protected? Statistics show that over 70% of people who reach 65 will need long-term care sometime during their lifetime. Whether it's home care, adult day care, assisted living or nursing home care, these costs can be emotionally and financially devastating to you and your family. Government will not cover these costs until you literally bankrupt yourself. Arbor Group can show you how to protect yourself and your family.

How do you schedule a pension option review and life insurance review?

The Pennsylvania Conference of Teamsters has partnered with Arbor Group to provide pension option review and implementation for members. Representatives of Arbor Group average more than 30 years of experience in financial services and work together as a team to help you determine the pension option which best meets you and your family's needs after you retire from service. In addition, Arbor Group remains available to you throughout your retirement years to help you track and manage the retirement strategy you select.

For a free, no-obligation evaluation of your pension options, life insurance and retirement income planning, contact Arbor Group at 888-723-5513, email info@arborgrp.com or visit www.arborgrp.com/unions.

Article submitted by ARBOR GROUP



How much money do I need for retirement? That's a good question.
Use the sample planning template below to see how much you may really need.

INCOME		CURRENT	IN RETIREMENT
Take Home Pay / Net Retirement Benefit Member			
Take Home Pay / Net Retirement Benefit Spouse			
Social Security - Member			
Social Security - Spouse			
Investment Income			
	TOTAL INCOME		
HOUSING EXPENSES			
Mortgage / Rent			
Property Taxes			
Maintenance / Repair			
Homeowners Insurance			
PERSONAL EXPENSES			
Grooming			
Personal Care			
Clothing			
Dining Out			
Vacations			
Auto Insurance			
Auto - Gasoline			
Auto - Repairs			
Auto - Payment / Lease			
LIVING EXPENSES			
Groceries			
Utilities - Heat/Water/Electric			
Cable			
Phone / Cell Phone			
Entertainment			
MEDICAL EXPENSES			
Medical Premium			
Medical Copays			
Life Insurance			
SAVINGS			
	SUBTOTAL		
	Error Cushion		10%
	TOTAL EXPENSES		
	MONTHLY SURPLUS / (DEFICIT)		
	YEARLY SURPLUS / (DEFICIT)		

DECISIONS, DECISIONS, DECISIONS

5 Major Decisions New Retirees Need to Make

Are you retiring soon or have you recently left the workforce? If so, before you begin your life of leisure, you have some big financial decisions to make. These can affect your finances for many years to come, so it's important to think carefully and make fully informed choices. Here are five big ones -- along with some tips on how to make the right choice for your situation.

1. Should you downsize or relocate?

Housing is one of the primary costs for many seniors. Moving to a smaller home could allow you to significantly reduce your housing expenses, making your money last longer. This is especially true if you still have a mortgage on your current home and you could live mortgage free. But downsizing isn't necessarily the right choice for everyone. If you have kids who will continue to live with you in retirement or a big family that comes to stay often, you may find a smaller home won't work. Relocating may also be worth considering, depending on where you live and the size of your retirement nest egg. Some places have more favorable tax rules for retirees and lower costs of living than other locales. Some locations allow you to live a walkable lifestyle, meaning you could save money by selling your vehicle and you could remain independent longer should you lose the ability to drive as you age. Think carefully about how your housing costs and your current location will affect your retirement savings when you decide where to live. If it's very expensive to keep living in your home and you haven't saved enough to ensure financial security in retirement, moving sooner rather than later could be essential.

2. What kind of supplemental medical insurance do you need?

Medicare provides far less coverage than many seniors think, and estimates suggest retirees will need substantial savings to cover healthcare costs during retirement. One way to control your costs is to choose the right kind of supplemental insurance to go along with Medicare. Traditional Medicare not only has many coverage gaps; you also have to pay 20% co-insurance costs for Medicare Part B services. To get help covering expenses, it often makes sense to buy a Medigap plan that provides additional coverage. Alternatively, some seniors find it best to sign up for a Medicare Advantage Plan, which is an alternative to traditional Medicare. Private insurers offer Medicare plans, all of which must meet certain minimum requirements, and many plans provide broader coverage with lower co-insurance expenses.

Carefully research different insurance options to find coverage that fits your needs during open enrollment. Consider premium costs as well as medical services you and your family will use when deciding which policy is right for you.

3. What is your Social Security strategy?

Don't assume you should claim Social Security just because you've retired. If you have enough money to delay claiming for a while, you'll earn delayed retirement credits until age 70. This could boost your monthly Social Security income for the rest of your life, and could even boost survivors benefits for your spouse if you pass away first. If you have the cash to put off claiming, and you're relatively healthy, this could be a good approach. If you don't think you'll live long enough, you should claim now and get the lower benefit. Otherwise, waiting can make a lot of sense, if you can afford it.

4. How much can you withdraw from savings annually?

Retirees typically can't live on Social Security benefits alone. You'll have to begin withdrawing from your retirement savings, but don't take money out too quickly or you'll risk not have enough left to last the rest of your life. One common rule of thumb is that you can withdraw 4% of your retirement savings during the first year of retirement and then increase that amount by inflation each year. However, experts now believe the traditional 4% rule is outdated and flawed, meaning it could leave you at risk of running out of money. Center for Retirement Research recommends instead you determine how much to withdraw by using tables the Internal Revenue Service has created to calculate required minimum distributions (RMDs) from tax-advantaged savings accounts. You can look at the RMD tables and see how much is safe to withdraw each year based on your age.

5. Should you buy long-term care insurance?

Finally, another big decision relates to how you'll prepare for affording nursing-home care. Anyone 65 and over has close to a 70% chance of ending up in a nursing home or requiring home care for at least some time. This can be a big problem because nursing homes and home care are so expensive. Costs are not covered by Medicare for routine nursing care, so you could end up devastating your savings by paying out of pocket. Long-term care insurance can help cover costs, but some policies have gaps or limitations that make them ineffective. If you can find an affordable policy that provides comprehensive coverage, buying it may be worthwhile early in retirement so you're protected in case something happens. If you opt out, work with an estate planning attorney to make an asset protection plan and ensure Medicaid will cover care when necessary, or set aside dedicated savings in case you or a spouse need to go into a care facility.

The sooner you make decisions about retirement income, housing, and healthcare, the better off you'll be. Housing and medical care are two huge costs you must plan for, while running down retirement savings too quickly would be a devastating mistake that could leave you broke later in retirement. Sit down today and make a plan to protect your future.

MEDICARE 101

Medicare is a federal health insurance program provided to persons age 65 and older, disabled persons who have been receiving Social Security disability benefits for at least two years, and persons of any age with permanent kidney failure. The Original Medicare program has three parts:

Part A: Hospital Insurance

Pays for hospitalization, skilled nursing home care on a limited basis, home health care and, under certain circumstances, hospice care. There is no premium for Part A. It is primarily financed by Social Security payroll taxes.

Part B: Supplementary Medical Insurance

Pays for certain physicians' services, including surgery, home health services, clinical laboratory services, durable medical equipment and other miscellaneous items and services. An eligible person who enrolls in Part A of Medicare is automatically enrolled in Part B, unless he or she specifically declines Part B coverage. There is a monthly premium for Part B, which is usually deducted from the Medicare recipient's Social Security check. While Parts A and B cover a lot of medical care, they don't pay for everything. As a result, some individuals purchase a Medicare supplement policy (Medigap plan) from a private insurer to fill in the coverage gaps.

Part D: Prescription Drug Plans

Anyone with Medicare Parts A and B, neither of which cover prescription drug costs, can purchase a Part D prescription drug plan from a private insurer for a monthly premium. Benefits and premiums vary widely, so it is important to understand the variety of options available before purchasing a prescription drug plan.

As an alternative to Original Medicare:

Part C: Medicare Advantage Plans

Anyone with Medicare Parts A and B can choose to receive health care benefits from a private insurer through a Medicare Advantage plan instead of through Original Medicare. There are a variety of Medicare Advantage plans available, which offer different benefits and charge different premium amounts, so it is important to shop around for the plan that best meets your needs. Many Medicare Advantage plans include prescription drug coverage. If you enroll in a Medicare Advantage plan, you will continue to pay the monthly Medicare Part B premium, plus the premium charged by the Medicare Advantage plan you select.

For more information on Medicare visit www.medicare.gov

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Address Correction Requested

PENSION REMINDERS

Benefits Statement:

Benefits Statements were mailed to your home in April. Please review and report any discrepancies to the Fund by calling 800-523-2846.

Documents Needed For Retirement:

Did you know you can file your pension application at least six months prior to retirement? There are specific documents the Fund needs to have on file to appropriately process retirement benefits. For additional information on what is needed to get your paperwork started, please contact the Fund's Pension Department at 800-523-2846.

Website:

Did you know you are able to view your work history through the Member Login on the Fund's website? The website provides lots of information and valuable resources for our members to take advantage of, including necessary forms to keep your records up to date. Be sure to check out the Fund's website at www.teamsterfunds.com.