A TeachersRetire Toolkit

The 2024-2025 Retirement Toolkit

For Pennsylvania educators and all PSERS members

TeachersRetire

630 Delp Road, Suite 100
Lancaster, PA 17601
www.teachersretirepa.com

Retirement made easy for Pennsylvania educators

TeachersRetire is not endorsed, approved by nor affiliated with PSERS

What's in the toolkit?

Retire from PSERS in 2024: The 7 Essential Steps

A checklist of the 7 action steps every PSERS member must take before retirement.

The Guide to Your PSERS Retirement Estimate

A step-by-step guide to help you navigate and understand your PSERS Retirement Estimate.

Answer These 3 Questions Before Going to PSERS Exit Counseling

Make the most of your PSERS Exit Counseling session and avoid mistakes by making 3 important decisions before you attend.

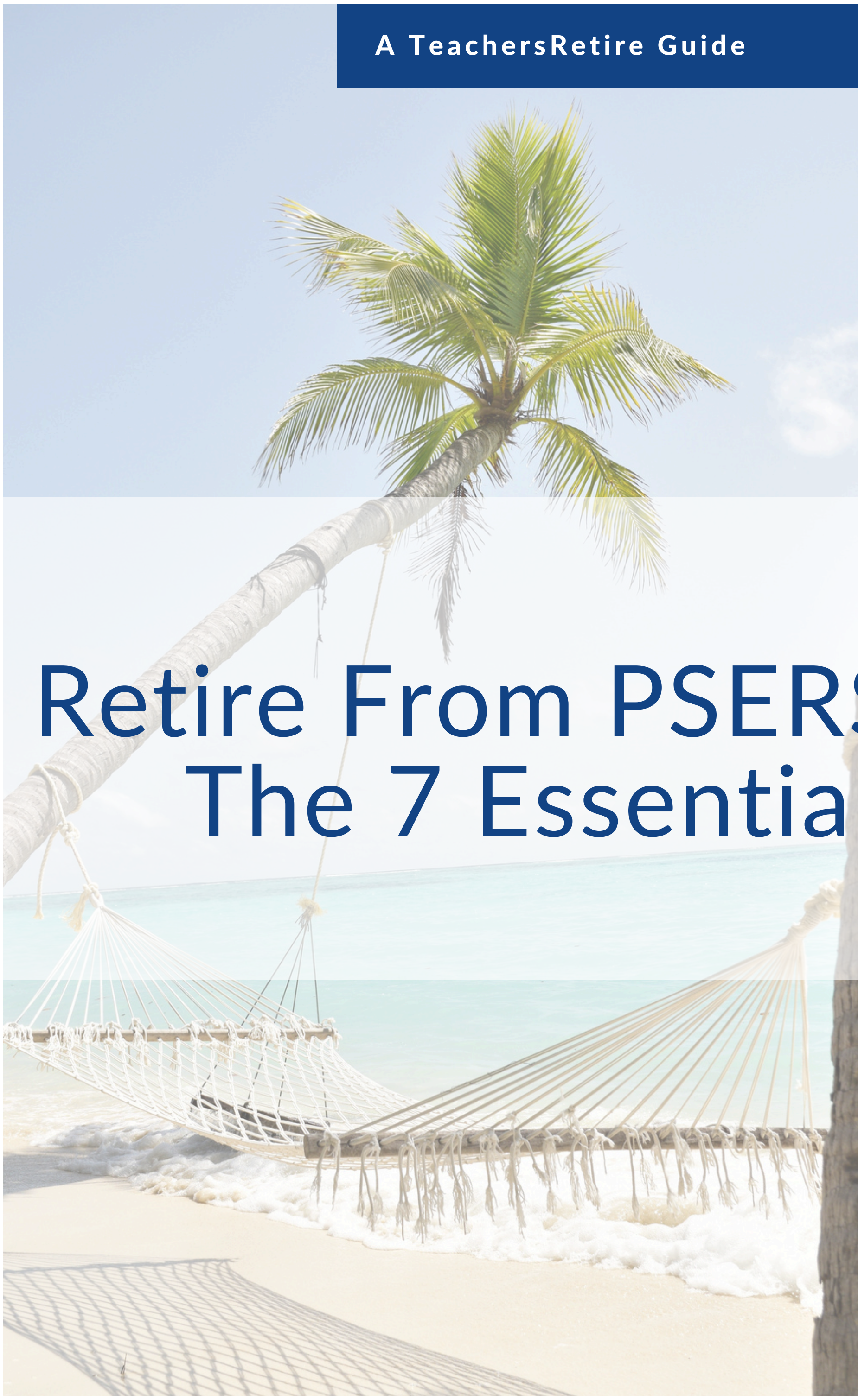
What are My Health Insurance Options When I Retire?

Health insurance is a major retirement consideration for most PA educators. Review your options and make the best decision for yourself and your family.

Retirement Financial Inventory Chart

Use this chart to get a clear view of your retirement financial picture.

A TeachersRetire Guide



Retire From PSERS in 2024: The 7 Essential Steps

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Getting Ready To Retire Can Be Overwhelming

This is especially true for educators in Pennsylvania. Once you decide to retire, there is a lot for you to do and think about during your final school year. Your human resources office will have steps to follow. PSERS has a very specific retirement process to complete. You also have to get your financial ducks in a row and feel confident in your future. All of this needs to be accomplished within a few months, all while you are still working.

Not an easy task.

However, retiring from PSERS doesn't need to be complicated and difficult. We've simplified the process into 7 easy steps so you know exactly what you need to do and when. Let's get started!

The 7 Essential Steps to Retire from PSERS in 2023

Step 1 – Request Your Official Retirement Estimate — Done ☐

Before making any final decisions about your retirement and pension, you need accurate and updated information based on your expected retirement date. That is what the Official Retirement Estimate provides. You will see the monthly pension benefits available to you and how they change based on the pension option you choose. You can find the Request for Retirement Estimate form here.

When should this be done? - ASAP

Step 2 – Review Your Service Eligible for Purchase — Done ☐

During your career in PSERS, there may have been periods of time when you were absent from work. Normally, time away does not count toward your credited years of service and can impact your pension benefits. In many cases, you can purchase these periods of time and have them applied to your benefit calculation as credited service. To increase your monthly pension as much as possible, it is important to review eligible service available to buy and payment plans in advance of before retirement.

When should this be done? - ASAP

Step 3 – Sign Up for a PSERS Exit Couseling Session   Done ☐

PSERS encourages employees retiring during or after the current school year to attend an Exit Counseling session. These meetings are offered in a small group format. Topics covered include the retirement application, pension calculation and options, and the Health Options Program. You should reserve a seat for these sessions in advance by calling your regional PSERS office. The list of offices and contact information can be found here.

When should this be done? - 4 to 6 months before retirement

Step 4 – Choose a Pension Option   Done ☐

Once you have your Official Retirement Estimate in hand, you can make your pension decisions by selecting the Maximum Single Life Annuity, Option 1, Option 2, Option 3, or Option 4. Along with your pension selection, you will also decide how to handle your lump sum withdraw. These decisions should be made with careful consideration as they will have a significant impact on your retirement income and financial life.

In general, you cannot make a change to your pension selection once payments have started. You will make your pension selection on your retirement application which is submitted at the Exit Counseling Session.

When should this be done? - before your Exit Counseling session

Step 5 – Decide Where You Will Get Health Insurance   Done ☐

PSERS offers medical, dental, Medicare Supplement, Medicare Advantage, and prescription drug coverage to qualified retirees via the Health Options Program (HOP). You, your spouse, and dependents may have varying levels of medical coverage available depending on your age, years of service in PSERS and other factors.

You may have other health insurance options available such as coverage under your spouse's plan at work or Medicare. You should consider these health coverage options and the associated costs carefully. You can learn more about the PSERS Health Options Program here.

When should this be done? - 3 to 6 months before retirement

Step 6 – Schedule A Meeting With Human Resources Done ☐

Your Human Resources department will have its own retirement process for you to complete. You may have retirement benefits available through your district, intermediate-unit, or school. Generally, you will be reimbursed for unused sick and vacation days. This is usually done via a deposit into a 403(b) plan. You will need to set up a 403(b) to receive these funds if you have not already established one. You can request a list of approved 403(b) providers from your HR office.

When should this be done? - 3 to 6 months before retirement

Step 7 – Submit Your PSERS Retirement Application Done ☐

The final step in the PSERS retirement process is to submit your retirement application. This application outlines which pension option you have chosen, your lump sum withdraw decision, tax withholding on your pension payment and several other important elections.

When should this be done? - at Exit Counseling or at least 90 days prior to retirement

You're Ready to Master Retirement in 2023!

Now that you know what to do and when to do it, you're ready to get the retirement gears in motion. However, following these steps is the easy part. You also have to make some really important financial decisions along the way.

If you want guidance from the experts on your PSERS retirement decisions, we're here to help. Learn more about getting customized advice and step-by-step guidance from TeachersRetire here.

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A TeachersRetire Guide

The Guide to Your PSERS Retirement Estimate

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Have you decided to retire during or at the end of the 2024-2025 school year? If so, the next step towards retirement is to request an estimate of your pension benefits from PSERS. The purpose of the benefits estimate is to provide you with an accurate summary of your pension options and payment amounts based on your expected date of retirement.

The information that PSERS provides in the benefits estimate is important because you will use it as you consider retirement questions such as:

- Which pension option is best for me?
- Should I withdraw my contributions and interest?
- How will my pension choice impact my spouse?
- Will I have enough retirement income to cover my expenses?
- How much tax should I have withheld from my payments?

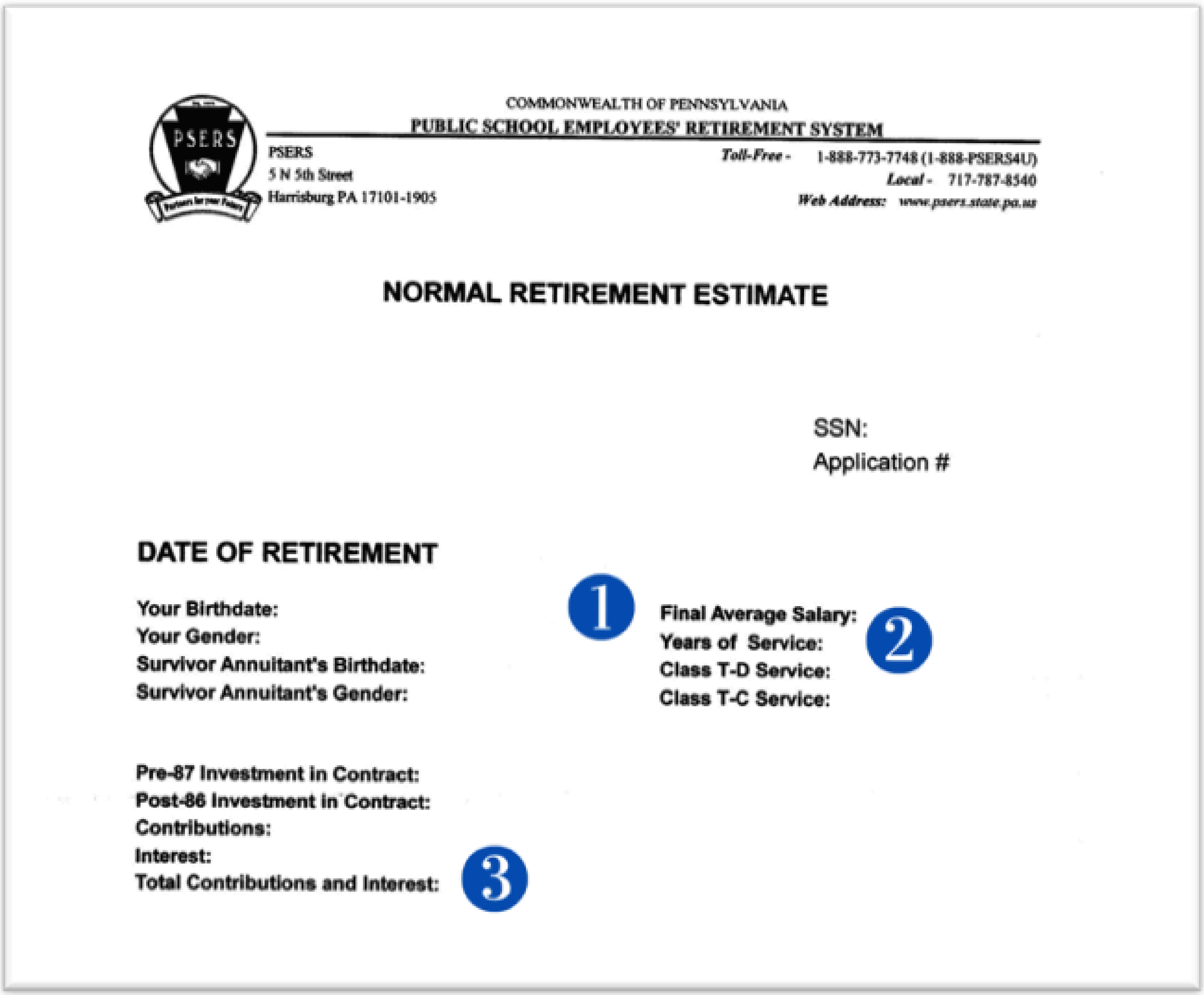
We hear from educators quite often that it is difficult to fully understand the facts and figures on the benefits estimate and use them to make these important financial decisions. This guide will simplify the benefits estimate for you by walking through each section and highlighting the information you need to know.

So, when you receive your retirement estimate from PSERS, grab this guide and reference it as you review your options.

Let's get started!

Page 1- A Summary of Your PSERS Account

The first page of the benefits estimate is quite simple. It consists mostly of your personal information and some information about your PSERS account and service. There are three items on Page 1 with which you should be familiar.



COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

PSERS
5 N 5th Street
Harrisburg PA 17101-1905

Toll-Free - 1-888-773-7748 (1-888-PSERS4U)
Local - 717-787-8540
Web Address: www.psers.state.pa.us

NORMAL RETIREMENT ESTIMATE

SSN:
Application #

DATE OF RETIREMENT

Your Birthdate:
Your Gender:
Survivor Annuitant's Birthdate:
Survivor Annuitant's Gender:

1 Final Average Salary:
Years of Service: 2
Class T-D Service:
Class T-C Service:

Pre-87 Investment in Contract:
Post-86 Investment in Contract:
Contributions:
Interest:
Total Contributions and Interest: 3

1 Final Average Salary

Your Final Average Salary is the average of the past three years of your salary as reported to PSERS by your employer and is one of the three factors in the pension formula that determines your benefits.

❷ Years of Credited Service

As you can see in the PSERS benefits formula below, your years of credited service is another factor in the pension benefit formula. The more years of service you have, the higher your pension benefits.

Years of Credited Service x Class Factor (2 or 2.5) x Final Average Salary = Your Benefits

❸ Contributions and Interest

You contribute a certain amount of each paycheck to your PSERS account. Over the years, those contributions grow at a fixed rate of interest. The contributions and interest listed on your retirement estimate is the total amount that you have put in and interest earned by your expected retirement date. As you will see on the following pages you have options as to how you handle this money.

The Four Pension Options

- The Maximum Single Life Annuity
- Option 1
- Option 2
- Option 3

Beginning with Page 2, the retirement estimate outlines each of your pension options. There are two important questions to answer as you review each option.

Question 1: How much is the monthly payment?

Each pension option offers a different monthly payment amount. You will notice four payment amounts listed under the "Monthly Check" column for each. There are several payments associated with each option because the amount you will receive depends on how you handle your contributions and interest. You can leave your money in PSERS in exchange for a higher pension payment or withdraw your money and receive a smaller payment.

Question 2: What happens when I die?

What happens with your pension after you die is different for each pension option. The Maximum Single Life Annuity and Option 1 provide a single lump payment to your beneficiary at your death. Option 2 and Option 3 provide a monthly payment to your beneficiary (called a survivor annuitant) for the rest of their life.

When reviewing the Maximum Single Life Annuity and Option 1, pay particular attention to how withdrawing your contributions and interest impacts your death benefit and how long the death benefit is in place. If you live past a certain point in retirement, your death benefit period ends and your beneficiary will receive nothing at your death.

Death Benefit Payments

Survivor Lump Sum	Survivor Lifetime Payments
Maximum Single Life Annuity	Option 2
Option 1	Option 3

If you have questions about the pension options, death benefit protection or whether to withdraw your contributions and interest, we are here to help. Send us your questions, and a TeachersRetire advisor will help you get answers.

Get Answers >>

Now let's look at each of the four pension options:

Maximum Single Life Annuity

Single Life Annuities

Name SSN:

MAXIMUM SINGLE LIFE ANNUITY: The maximum single life annuity provides the highest check amount for your lifetime. If at the time of your death you have not received an amount equal to your contributions and interest, the balance will be paid to your beneficiary. You may change your beneficiary at any time and/or name more than one beneficiary.

Condition	Monthly Check	Death Benefit Protected	Years Until Death Benefit is Depleted	Percent of Benefit That is Taxable
Withdrawing No Money	1	3	Years Months	5 %
Withdrawing Your Pre-87 Funds ($)			Years Months	%
Withdrawing All Of Your Eligible Money ($)	2		4	%
Withdrawing A Specific Amount ($)			Years Months	%

The Maximum Single Life Annuity offers you the highest monthly payment of all the pension options. However, it provides the lowest death benefit for your beneficiary. Your death benefit starts as equal to the amount of your contributions and interest and is reduced by the amount of your pension check each month. Once the total amount of your pension checks equals or exceeds the amount of your contributions and interest, your death benefit is depleted, and your beneficiary receives nothing.

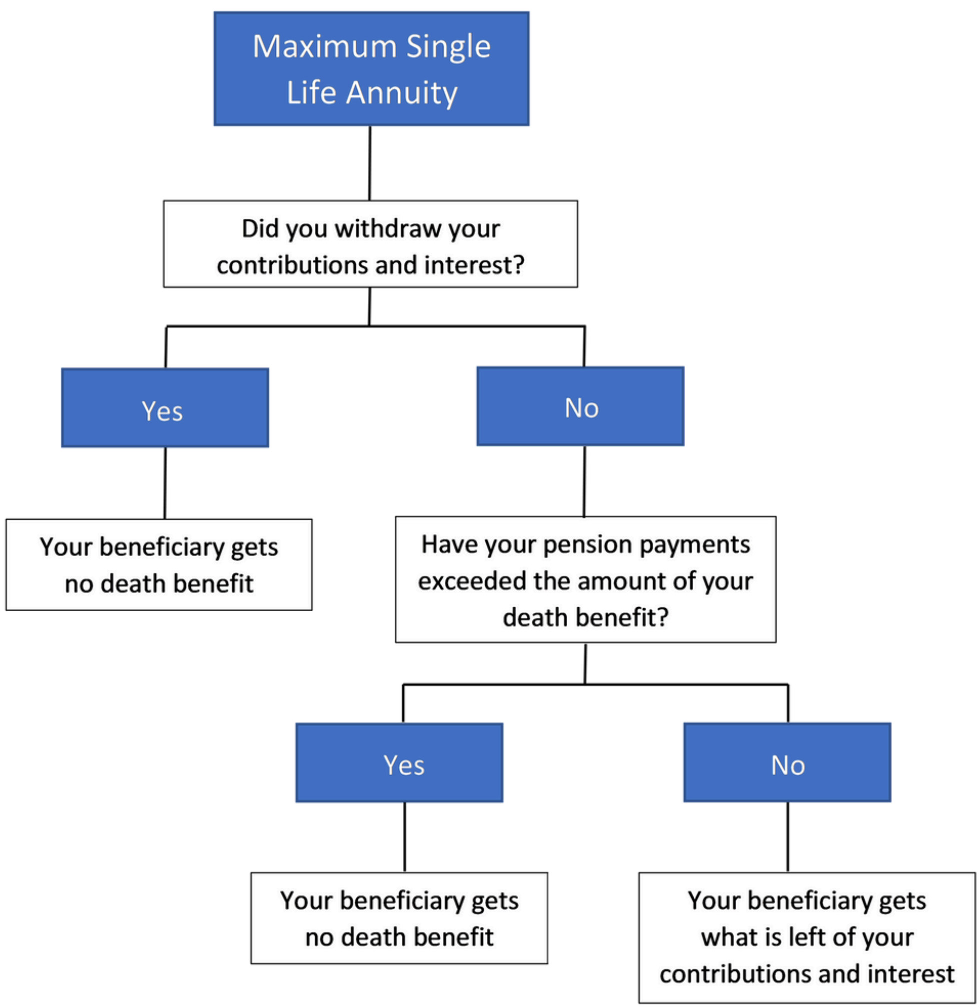
1. If you choose the Maximum Single Life Annuity and do not withdraw your contributions and interest, you will receive the amount listed here each month. This is the highest possible monthly pension you can receive.

2. The monthly payment listed here is what you will receive if you choose the Maximum Single Life Annuity and withdraw all your contributions and interest. As you will notice it is lower than the amount listed at #1. You will see this pattern with each of the following options. The tradeoff for taking out the contributions and interest is a lower monthly payment.

3 The death benefit listed here is how much your spouse or other named beneficiary would receive in a lump sum if you were to die. This amount is equal to your contributions and interest.

4 The death benefit does not last forever. The years and months listed in this column show how long a death benefit will be in place for your beneficiary. It is likely to last only a few years because for every month you receive a pension payment, your death benefit decreases by that amount until it reaches zero. After that time, there is no longer a death benefit. Considering the short period of death benefit coverage, the Maximum Single Life Annuity is not a good fit if you need to leave money behind. If you choose this pension option and withdraw your contributions and interest, there is no death benefit for your beneficiary.

How the Death Benefit Works



5 In general, all pension payments are taxable at your federal income tax rate. If you have Pre-87 funds (contributions you made before 1987) in your PSERS account and do not withdraw them, you get them back via your monthly payments, tax-free. Therefore, you might see taxable amounts other than 100%. All the pension options are taxed in the same way so we will not cover this in each of the following sections.

Option 1

OPTION 1: Under this option, your monthly benefit is reduced. The reduction is based on your gender and age at the time of your retirement. A value, called the Present Value, is placed on your account at the time of your retirement. If at the time of your death you have not received an amount equal to the present value of your account, the balance will be paid to your beneficiary. You may change your beneficiary at any time and/or name more than one beneficiary.

Condition	Monthly Check	Death Benefit Protected	Years Until Death Benefit is Depleted	Percent of Benefit That is Taxable
Withdrawing No Money	1	3	Years Months	%
Withdrawing Your Pre-87 Funds ($)			Years Months	%
Withdrawing All Of Your Eligible Money ($)	2		Years 4 Months	%
Withdrawing A Specific Amount ($)			Years Months	%

Option 1 offers the second highest monthly pension check. The death benefit protection for your beneficiary is more generous than that of the Maximum Single Life Annuity. With Option 1, your PSERS account is assigned a "Present Value" which is your starting death benefit. As you receive pension payments, it is reduced and will eventually go to zero. If you pass away before that time, your beneficiary will receive the remainder of your Present Value in a lump sum.

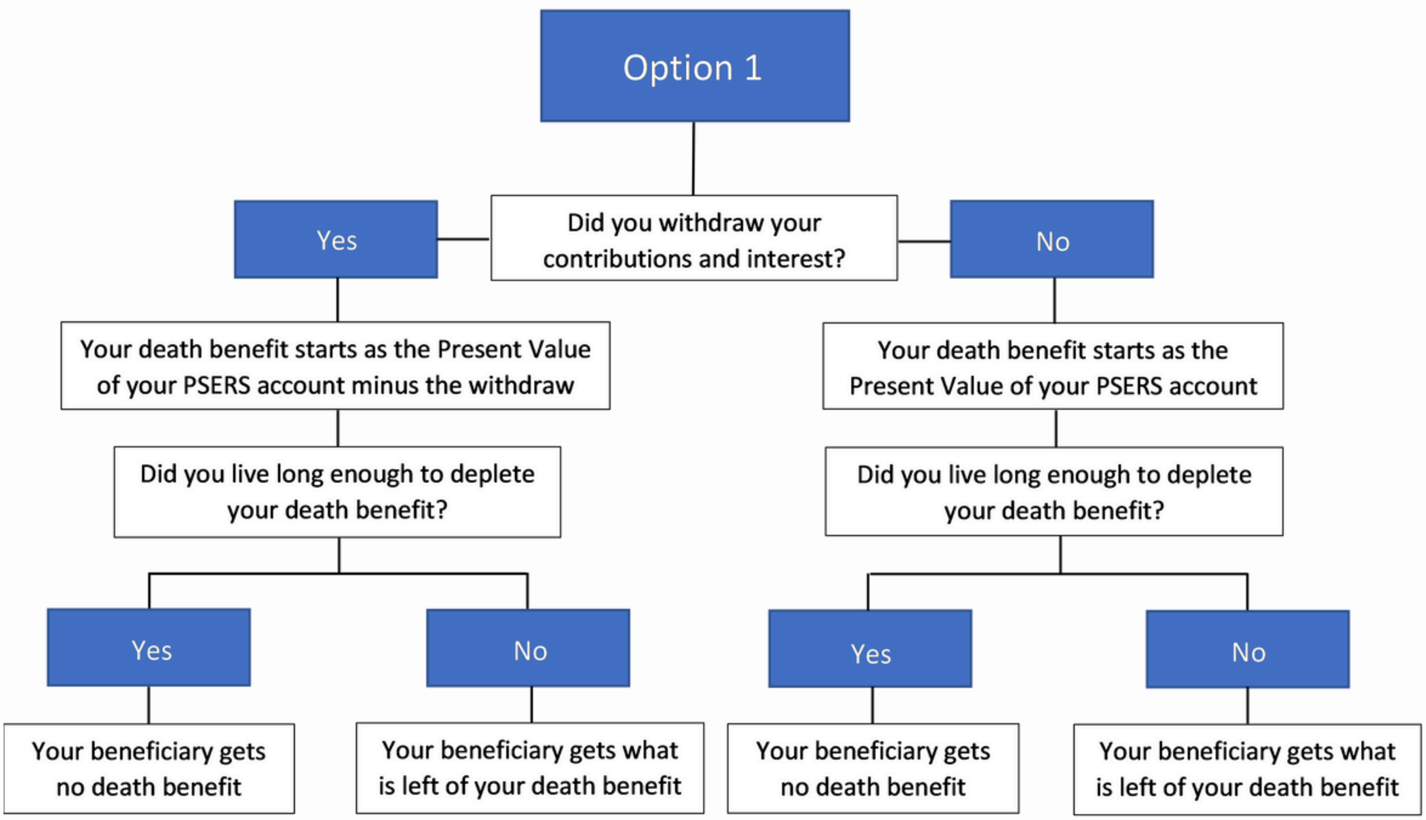
1. The monthly payment for Option 1 is less than that of the Maximum Single Life Annuity. The lower payment is in exchange for better death benefit protection for your beneficiary.

2. As with the Maximum Single Life Annuity, withdrawing your contributions and interest lowers the amount you will receive each month.

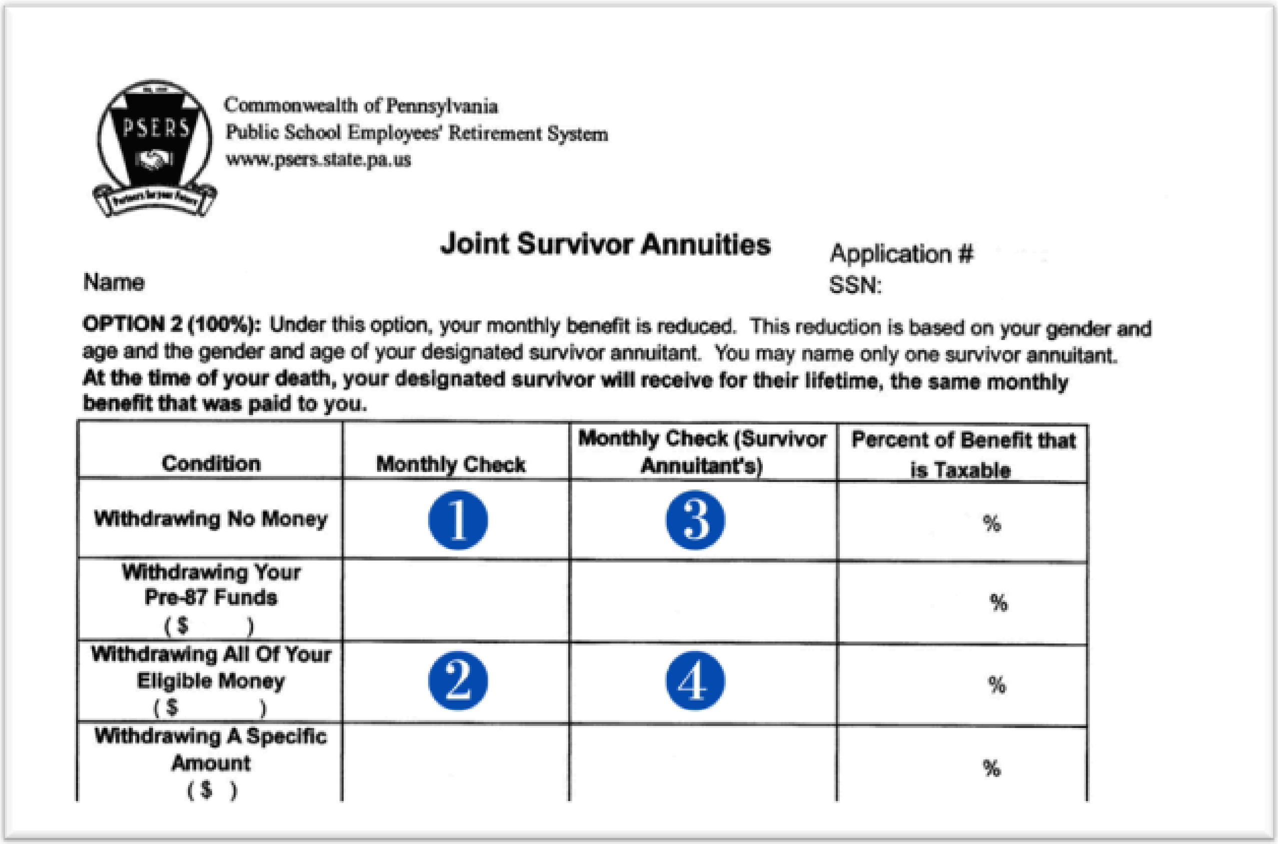
3. The main difference between Option 1 and all the other pension choices is the death benefit. The amount listed here is your starting death benefit. You will notice that it is lower if you withdraw your contributions and interest.

4. Like the Maximum Single Life Annuity, this death benefit also will not last forever. Once the time period listed here has passed, your beneficiary will receive nothing at your death. If you pass away before the death benefit runs out, your beneficiary will receive what is left of the Present Value.

How the Death Benefit Works



Option 2



Commonwealth of Pennsylvania
Public School Employees' Retirement System
www.psers.state.pa.us

Joint Survivor Annuities

Application #

Name

SSN:

OPTION 2 (100%): Under this option, your monthly benefit is reduced. This reduction is based on your gender and age and the gender and age of your designated survivor annuitant. You may name only one survivor annuitant. **At the time of your death, your designated survivor will receive for their lifetime, the same monthly benefit that was paid to you.**

Condition	Monthly Check	Monthly Check (Survivor Annuitant's)	Percent of Benefit that is Taxable
Withdrawing No Money	1	3	%
Withdrawing Your Pre-87 Funds ($)			%
Withdrawing All Of Your Eligible Money ($)	2	4	%
Withdrawing A Specific Amount ($)			%

Rather than a lump sum death benefit that expires at some point, Option 2 offers lifetime income for your beneficiary after your death. This means that there is no chance that your beneficiary will miss out on inheriting your pension if you die first. You don't have to worry about living too long and leaving your spouse or dependent without an inheritance from PSERS.

1 The tradeoff for this security for your beneficiary is a payment that is less than both Option 1 and the Maximum Single Life Annuity. Your monthly payment amount will depend not just on your benefit calculation but also on the age and gender of your survivor annuitant.

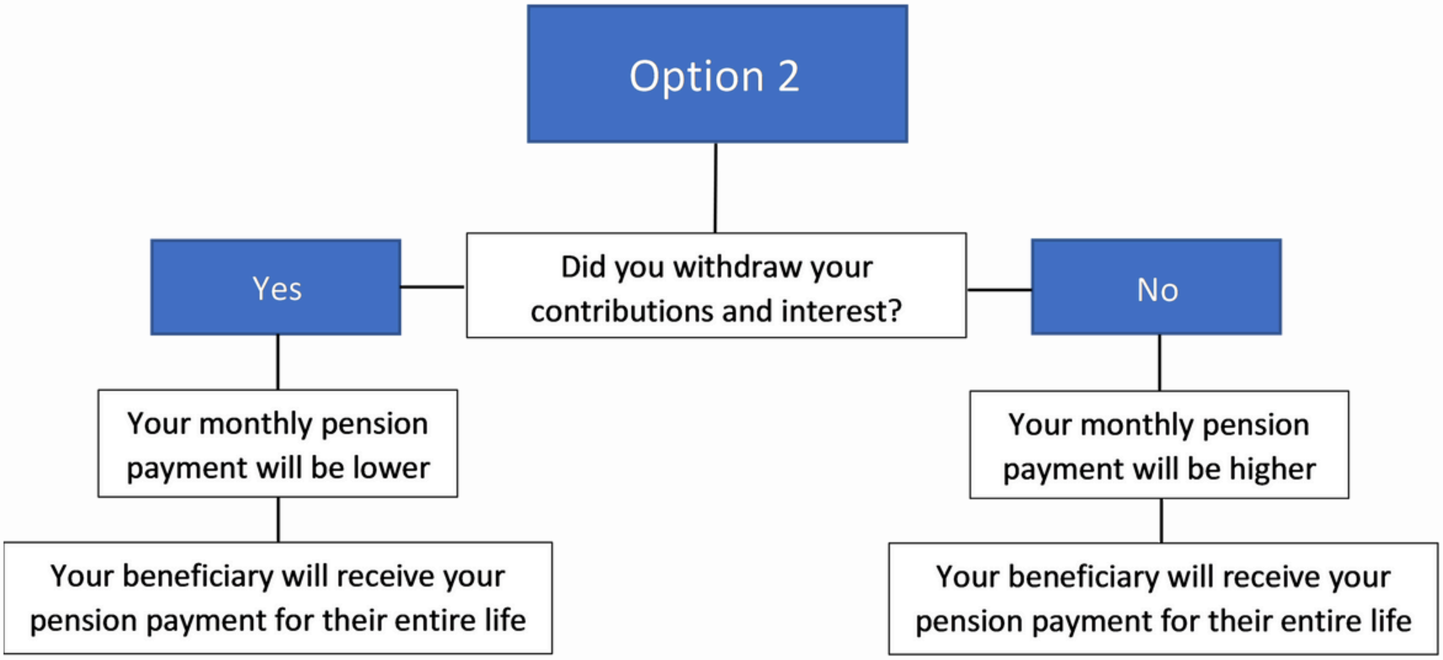
For example, if you name your spouse as survivor annuitant and they are the same age as you, your monthly payment will be higher than it would be if you were to name one of your children as your survivor annuitant.

2. As with each pension option, you can withdraw your contributions and interest under Option 1. This will lower the amount that you receive each month.

3. Both Option 2 and Option 3 refer to the beneficiary as a survivor annuitant. Option 2 provides the most comprehensive protection for your beneficiary. If you choose to leave your contributions and interest in PSERS, your beneficiary will continue to receive your full pension payment after your death for as long as they live.

4. The same lifetime income benefit for your beneficiary applies if you choose to withdraw your contributions and interest. They will simply receive your lower monthly pension payment. Remember, if you roll this money into a retirement account you can name them as a beneficiary of that account, and they would receive the balance at your death as well as the pension payments.

How the Death Benefit Works



Option 3

OPTION 3 (50%): Under this option, your monthly benefit is reduced. This reduction is based on your gender and age and the gender and age of your designated survivor annuitant. You may name only one survivor annuitant. **At the time of your death, your designated survivor will receive for their lifetime, one-half of the benefit that was paid to you.**

Condition	Monthly Check	Monthly Check (Survivor Annuitant's)	Percent of Benefit that is Taxable
Withdrawing No Money	1	3	%
Withdrawing Your Pre-87 Funds ($)			%
Withdrawing All Of Your Eligible Money ($)	2	4	%
Withdrawing A Specific Amount ($)			%

If your designated survivor annuitant dies before you, or if you are divorced or married after electing the option, you may name a new survivor annuitant/beneficiary and/or elect a different option. If you do, your monthly benefit will be recalculated based on your new survivor annuitant's age and gender, and your age and gender at the time of change. It is likely that your monthly benefit will be reduced.

Option 3 is very much like Option 2 except that your survivor annuitant (beneficiary) receives 50% of your pension payment rather than the full amount. This payment will last for your survivor annuitant's entire life.

1 Option 3 provides a lower pension payment then the Maximum Single Life Annuity and Option 1, but a higher payment than Option 2. However, your survivor annuitant will receive survivor pension payments that are 50% lower than your pension.

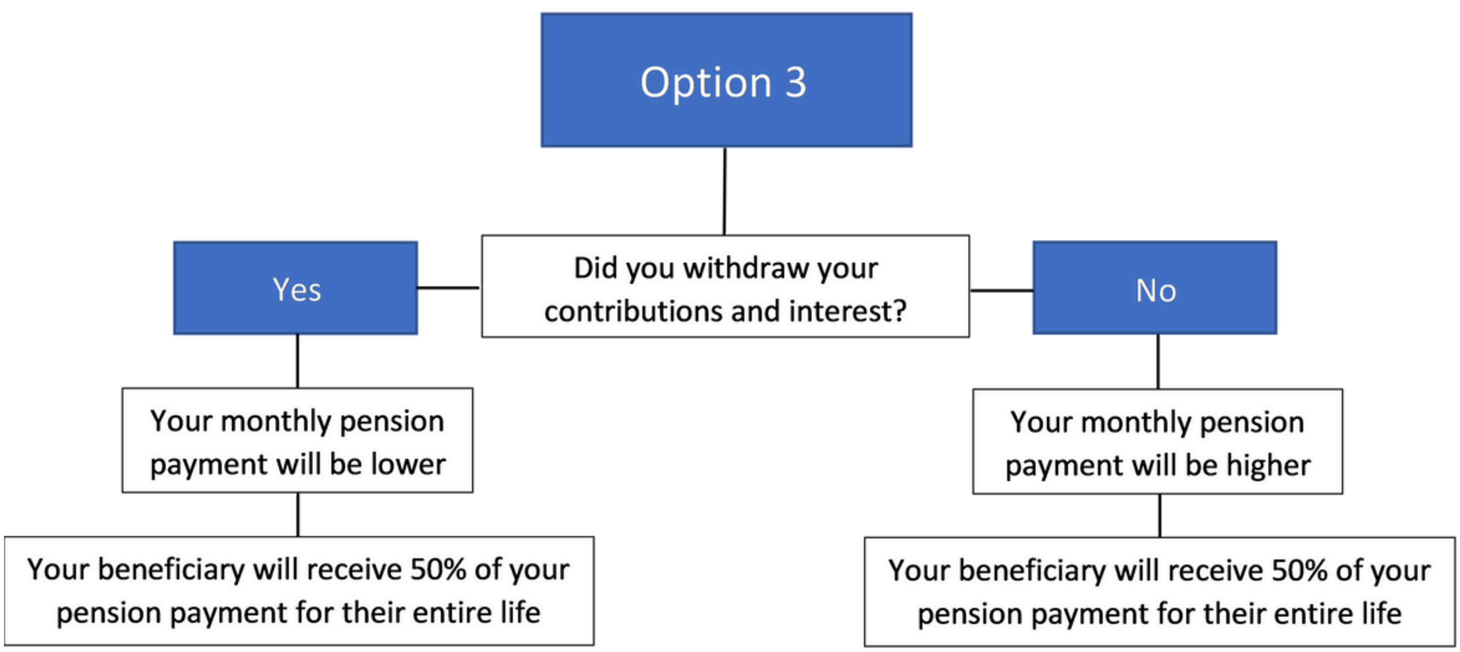
2 As with the other pension options, you may withdraw your contributions and interest in exchange for a lower monthly payment for you and your beneficiary.

3. Option 3 is like Option 2 in that your survivor annuitant (beneficiary) can receive your pension payment after your death for the rest of their life. However, Option 3 provides only half of your monthly payment to your beneficiary rather than the full amount.

   In general, Option 3 may make sense if you and your spouse both have pensions, other fixed income or enough in investments where either of you would be secure financially when the other passes away.

4. Just like Option 2, a reduction in monthly income for you and your beneficiary applies if you decide to withdraw your contributions and interest,

How the Death Benefit Works



There is a lot to think about and it can be overwhelming. To help simplify all the information in the Retirement Estimate, keep the two most important factors in mind; your monthly payment amount and what your beneficiary gets after your death. This is what lies at the core of your PSERS decisions at retirement.

Still have questions? We're here to help!

Get expert help with your retirement estimate, PSERS decisions and other retirement decisions. Learn more about step-by-step advice from TeachersRetire or schedule a free 30-minute Retirement Readiness call.

I Want Help >>

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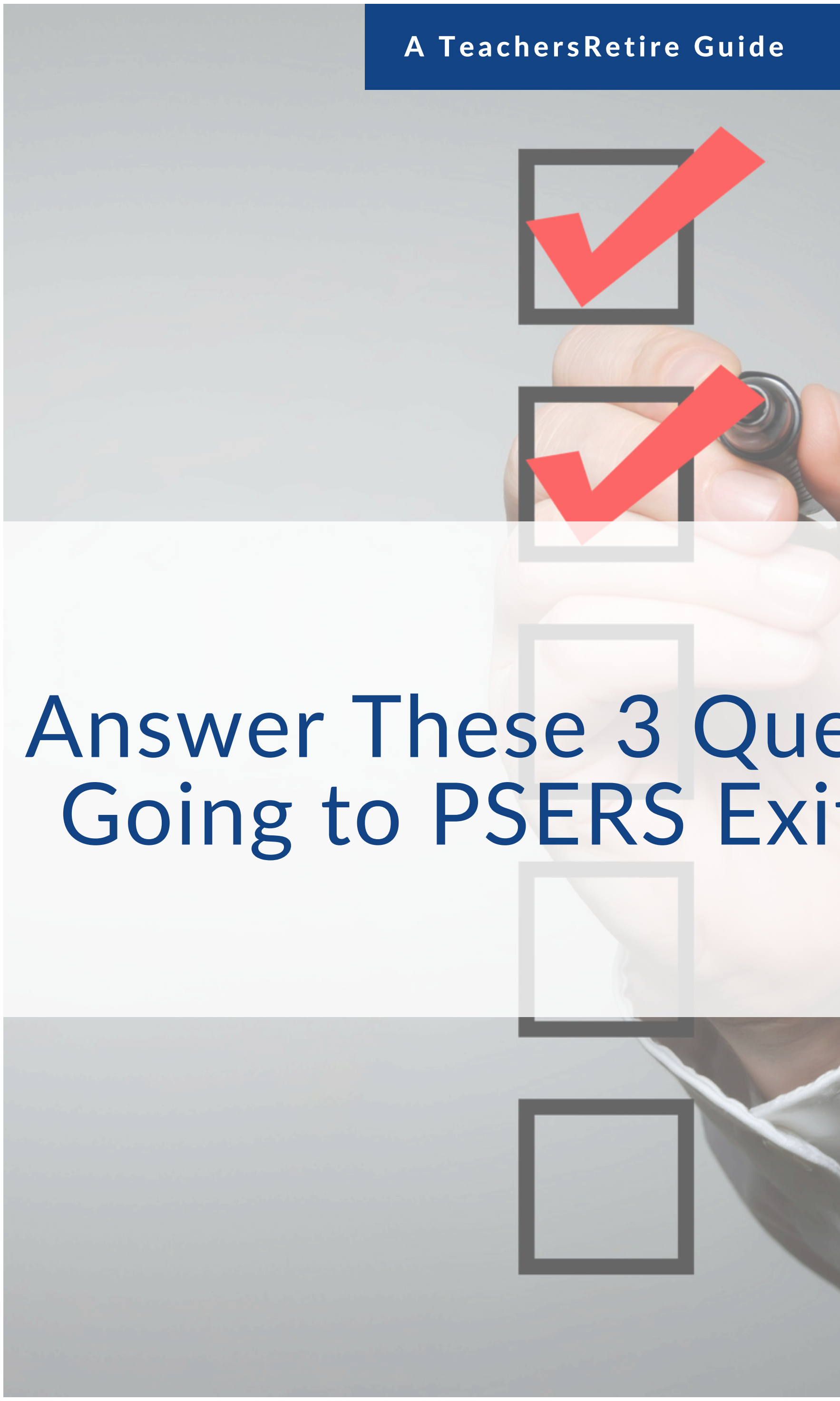

Answer These 3 Questions Before Going to PSERS Exit Counseling

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Retirement can be complicated for Pennsylvania educators. This is especially true when it comes to making decisions about your PSERS pension. An educator retiring during or immediately after the current school year must choose from five pension options, decide on how to handle his or her contributions and interest, and make several other important financial decisions.

To help soon-to-be retirees, PSERS offers Exit Counseling sessions. These small group meetings are an opportunity for retiring educators to hear about the pension options, health insurance choices and complete the PSERS retirement application.

Don't wait until Exit Counseling to make retirement decisions

Attending an Exit Counseling session is highly encouraged. It's helpful to hear about the pension and make sure you fully understand the process. However, it is not a good idea to wait until you are at the meeting to explore the PSERS pension options and choose which is best for you.

These sessions are helpful and informative, but are not an ideal place for you to make critical financial choices. The PSERS representative can provide information and clarity but generally cannot offer you advice on your personal decisions. You should be making these pension choices carefully after considering all of the details and implications.

This guide will walk through three questions that you should answer before you attend an Exit counseling session.

The 3 Questions You Must Answer Before Attending Exit Counseling

Question 1: Which pension option is best for me?

PSERS has five pension options from which you may choose:

- The Maximum Single Life Annuity
- Option 1
- Option 2
- Option 3
- Option 4 (Customized)

The best pension choice for you depends on your financial situation in retirement. Before making a pension selection, you should consider your entire financial picture. Therefore, making your decisions at Exit Counseling is not a good idea. You want to make sure that you have taken the time to understand the options and weigh the financial pros and cons of each.

There are four important factors that you must consider when making pension choices.

1 Retirement income other than PSERS

The best pension option for you is the one that will provide you and your spouse enough income in retirement. It is important to start by thinking about all your sources of retirement income aside from PSERS.

These might include:

- Social Security
- Investment income
- Rental properties
- Business income
- Other pensions
- Annuity payments

How much income do you expect from these sources? How long do you expect it to last? Is the income fixed or will it change frequently? The goal here is to put together an accurate picture of your retirement income so you know how much you will need each month from PSERS. This will help you decide which pension option provides you the monthly payment that fits your spending and supplements your other income.

2 Your spending now and in retirement

Figuring out your retirement income is only so helpful without also estimating your expenses. You want to have plenty of income to cover your basic living expenses with enough to spare for travel, charitable giving, helping family, etc.

The best way to start is to outline your spending today. How much do you spend each month on the basics like your mortgage, utilities, cars, groceries, etc.? How much do you spend each year on vacations, travel, gifts and other less frequent expenses.

The next step is to think about how these expenses will change over time. Will you pay off your mortgage in a few years? Will you spend more eating out? Will you travel more extensively? The end goal is to do your best to consider your current spending and make an educated guess as how that will change down the road.

Then, you can select the pension option that provides enough income to cover your current and future spending.

3 Your health insurance coverage

Health insurance in retirement is a major issue for many educators. Retiring educators will find themselves in one of the following situations.

- Age 65 or older at retirement

  In this case, you can apply for Medicare and you should factor the Medicare costs into your spending projections.

- Younger than 65 at retirement

  If you are younger than 65, you are not yet eligible for Medicare. This means that you need to find health coverage elsewhere.

  In general, the best and most affordable option is to join your spouse's plan at work. This is likely the least expensive alternative with the best coverage. If this is not an option for you, your choices are COBRA, the PSERS Health Options Program (HOP) or coverage through the new Pennsylvania healthcare marketplace.

  Costs for each of these plans can be significant so you should factor the premiums and out-of-pocket costs into your spending projections.

4 Taxes

Unfortunately, you aren't able to keep all of the money from Social Security, PSERS, investment, and most other retirement income. So, the most important income amount to know is how much you will receive in your bank account after taxes. This is the money that you will have to spend.

While you don't need to know your income taxes down to the dollar, it is important to understand how much of your income you will keep each month.

Once you have mapped out your retirement income, spending, health coverage and taxes, you're ready to decide which pension option is best for you. Get started by reviewing your Official Retirement Estimate from PSERS. On it, you will find the monthly pension payment for each of the pension options. You can determine which pension option provides you the income needed to cover your expenses.

If you are retiring in 2023 and have not yet requested your Official Retirement Estimate, you can do so here.

Before your Exit Counseling session, be sure to make your pension selection in Section 5 of the PSERS Application for Retirement.

Question 2: What should I do with my PSERS contributions and interest?

Each paycheck, you contribute a portion of your pay to your PSERS account. Over time, these contributions grow at a fixed interest rate. When you retire, you have the option to withdraw these contributions and interest from your PSERS account. You might ask why you wouldn't do that? Who would turn down getting that money back?

While it sounds like a good deal, and for some retirees it is, there is a trade off. If you take your contributions and interest out of PSERS, your monthly pension payment will be lower. Basically, you are choosing to have either a lump sum of money today or to have higher monthly payments.

There are a few things to think about before electing to withdraw your contributions and interest:

- Taxes

  Your withdraw amount is fully taxable since you have never paid income taxes on that money. So, be cautious about how you complete Section 4 of the Application for Retirement. You can withdraw your money without paying taxes if you roll it over directly into an Individual Retirement Account (IRA). Otherwise, you will owe tax on the full amount that is withdrawn.

- Money available outside of your pension

  PSERS is great because it provides you a lifetime income that is consistent and guaranteed. However, one downside is that your monthly check never increases. At some point in retirement, your expenses might go up or you may find yourself needing a lump sum of money. PSERS cannot help with that. If you don't have much money available in retirement and investment accounts to cover these situations, you might want to consider whether withdrawing your contributions and interest makes sense.

Section 4 of your retirement application addresses your contributions and interest. It is important to complete this section with careful consideration. If you are going to roll your contributions and interest over into an IRA, you will also need to complete the Authorization for Direct Rollover form. You can find this on the PSERS website.

Question 3: Will my spouse be financially secure when I die?

As you make all these retirement decisions, you should be thinking about how your spouse is impacted. If you pass away, will they be secure financially? Will they have enough income to live comfortably or would they be in a difficult position? It is especially important to factor your spouse's financial well-being into your PSERS choices before completing your retirement application.

Your pension options each provide a different benefit to your spouse at your death. Generally, there is a trade-off: the higher your pension payment, the less your spouse could receive. So, you will need to find a happy middle ground between more income now and protecting your spouse.

The Maximum Single Life Annuity and Option 1 both provide a lump sum at your death. However, those benefits decrease to zero over time. Options 2, 3 and 4 all provide a monthly payment to your spouse after your death.

Aside from your pension, be sure to consider the other pieces of your financial picture that could provide your spouse financial security:

- Social Security survivor benefits
- Investment and retirement accounts
- Life insurance
- Income from real estate or a business

You certainly want to make sure that your husband or wife is taken care of at your death. Your PSERS pension is a great way to do just that as long as you make your pension selection carefully.

PSERS Exit Counseling Sessions are a good source of retirement information. However, they are not an ideal time to be making critical decisions that require careful pre-planning. You want to make sure that you have the time you need to consider all of your options and the long-term financial implications of your decisions.

Still have questions? We're here to help!

Get expert help with your retirement estimate, PSERS decisions and other retirement decisions. Learn more about step-by-step advice from TeachersRetire or schedule a free 30-minute Retirement Readiness call.

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A TeachersRetire Guide

What are My Health Insurance Options When I Retire?

TeachersRetire

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Health insurance coverage is often the area of most concern for retiring educators. This is especially true for those who retire before qualifying for Medicare at age 65. Once retired, the health coverage provided by the employer ends and an alternative is needed until Medicare age. The challenge for retirees is deciding which options are available and which is best in terms of costs and benefits.

Planning for your retirement can be stressful enough without the added complication of health insurance coverage. Let's simplify this by walking through each health insurance option that may be available to you at retirement.

Option 1: Apply for Medicare

If you are age 65 or over at retirement, you should apply for Medicare. A good rule-of-thumb is to apply for Medicare three months before you retire to make sure your coverage will start when you need it. Many retirees find themselves a little overwhelmed by the various coverage options available through Medicare. It can be difficult to know which coverage is right for you to get started.

Let's review the basic parts of Medicare so you have a good understanding of your choices.

Medicare Part A

Part A covers hospital stays, nursing care and limited home health services. Most people will not pay a monthly premium for Part A, but there are co-pays and deductibles. If you are still working when you turn 65, you should still apply for Part A as it is free and will likely act as a backup to your employer health plan.

Medicare Part B

Part B covers doctor visits, specialists, testing and screenings, medical equipment, physical therapy and more. There is a monthly premium for Part B which increases based on your annual income. In 2021, this monthly premium ranges from $148.50 - $504.90. Aside from the premium, Medicare participants usually pay 20% of the costs for care and Medicare covers the rest.

Medicare Part C- Advantage Plans

Advantage Plans are an alternative to traditional Medicare Parts A and B. You choose either A and B together or an Advantage Plan, not both. An Advantage Plan works more like a health plan offered by your employer. You have coverage through a private health insurance company like Highmark, Geisinger, United Health, etc. Aside from your monthly premium, there are co-pays, deductibles, and other out-of-pocket costs. Most Advantage Plans include prescription drug coverage.

Medicare Part D- Prescription Drug Coverage

Parts A and B do not cover prescriptions. Part D plans do cover drugs and the plans are offered by insurance companies. Each plan comes with a monthly premium and a flat monthly fee based on your income. In 2021, the extra monthly fee ranges from $12.30 - $77.10 per month for single tax filers with income over $88,000 and joint filers over $176,000.

Supplemental Plans (Medigap)

Medicare Supplement plans are only available to those who have Parts A and B. These plans cover deductibles, co-pays and other costs for Parts A and B. They are offered by health insurance companies and come with a monthly premium that varies by the policy and company. You can learn more about Medicare and the various coverage options here.

Option 2: Join Your Spouse's Health Plan at Work

If your spouse works for a company that offers health coverage, joining that plan may be the best option for you simply from a cost perspective. Generally, the monthly costs should be much lower than COBRA, the PSERS Health Options Program (HOP), and private health insurance.

Option 3: COBRA

COBRA allows you to continue the coverage under your health plan at work for up to 36 months. There is usually a major cost increase when going on COBRA because you are now paying the full monthly cost of the health insurance coverage while your employer no longer pays. While the monthly premiums are a major downside of COBRA, a benefit is that you can continue the same coverage you had while working.

Option 4: A Retiree Health Plan Through Your Employer

Some school districts and Intermediate Units offer health plans to their retiring employees to help bridge the gap to Medicare. Essentially, these plans are a continuation of your current coverage but with a higher monthly cost then you paid as an employee. The main benefit of the retiree health plan is you can stay with the same insurance company and avoid making major changes to your doctors, specialists and other providers.

If you have this option available, human resources will likely discuss it with you at your retirement meeting. However, it is helpful to as early as possible So you can factor the costs into your retirement decision.

Option 5: The PSERS Health Options Program (HOP)

HOP is unique in that it offers health coverage to PSERS members both before and after reaching Medicare age. For those in need of coverage between retirement and Medicare, HOP offers Pre-65 medical plans. These plans offer full health insurance benefits. As with COBRA and employer retiree plans, the monthly premium may be financially difficult for many retirees. You can find your specific premium based on the county in which you live here.

Option 6: Private Health Care Plan from the Marketplace

Much like COBRA, private health coverage is usually viewed as an option of last resort. It is commonly known that private health insurance is expensive and the benefits are usually lacking when compared to the plans which educators are accustom. Fortunately, most PSERS retirees qualify for at least one other health insurance option. If you need to find coverage through the healthcare marketplace, you can get started by exploring Pennsylvania's healthcare exchange (Pennie) here.

Health insurance is likely a major factor in your retirement decisions and may make your pension, Social Security, and other financial choices even more complicated. The best action you can take is to become informed on all of your options well ahead of your retirement so you can plan for these extra costs and avoid surprises .

Still have questions? We're here to help!

Get expert help with your retirement estimate, PSERS decisions and other retirement decisions. Learn more about step-by-step advice from TeachersRetire or schedule a free 30-minute Retirement Readiness call.

I Want Help >>

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Retirement Financial Inventory Chart

ASSETS		
	Type	Amount
CASH	Checking and Savings Accounts	$
	Money Markets	$
	CDs	$
	Other cash	$
	TOTAL CASH	**$**
INVESTMENTS	Brokerage accounts	$
	Individual stocks and bonds	$
	Other investments	$
	TOTAL INVESTMENTS	**$**
RETIREMENT	Individual Retirement Accounts (IRA and Roth)	$
	Employer retirement plans (403(b), 401(k), etc.)	$
	PSERS withdraw (if rolling over)	$
	Other retirement accounts	$
	TOTAL RETIREMENT ACCOUNTS	**$**
OTHER ASSETS	Other financial assets for retirement	$
	TOTAL OTHER ASSETS	**$**
	TOTAL RETIREMENT ASSETS	**$**
INCOME		
PENSION	PSERS pension (starts at age _____)	$
	Other pensions	$
	TOTAL PENSION INCOME	**$**
SOCIAL SECURITY	Social Security (starts at age ____)	$
	Spouse's Social Security (starts at age ____)	$
	TOTAL SOCIAL SECURITY BENEFITS	**$**
OTHER INCOME	Investment property	$
	Business income	$
	Annuities	$
	Other income	$
	TOTAL OTHER INCOME	**$**
	TOTAL RETIREMENT INCOME	**$**