

Financial *focus*

FINANCIAL SECURITY FOR YOUR GOLDEN YEARS



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Understanding the Value of Your Benefit

As a member of the El Paso County Retirement Plan (EPCRP), you participate in a 401(a) plan, which is a type of defined benefit plan. In simplest terms, a defined benefit plan guarantees you a lifetime benefit. The guarantee that you cannot outlive your benefit is considered by many to be the most important piece of the retirement planning puzzle.

EPCRP uses a formula based upon your age, years of service and final average monthly salary (FAMP) to determine your monthly benefit amount. Essentially, the higher your income and the longer you work, the higher your lifetime benefit will be.

Your contributions to the plan are accounted for individually and get an additional boost by earning 3% annual interest, which is compounded monthly. Even if you are a deferred vested member, you are still earning monthly compounded interest, without continuing contributions. Compound interest is everyone's friend, because it lets you earn interest on interest. However, the value of the interest earned does not compute into your retirement benefit. The interest accrues to protect your contributions from the effects of inflation in case you close your account. If you withdraw your contributions and interest after a qualifying separation of service, you forfeit your right to guaranteed lifetime income through the pension.

If you decide to begin your retirement early, you are taking a smaller amount of money and trying to spread it over a longer period of time. This is due to the fact that you are expected to receive a longer stream of payments. If you wait to retire, your life expectancy (as determined by our actuaries) will not be as long and EPCRP will be able to give you larger payments for your lifetime. This is true whether you are a deferred vested member or an active member. Your benefit will not stop — it will continue in the same amount until the time of your death.

There is another fact to take into consideration: If you decide to take early retirement and have not met the Rule of 75, your benefit will be reduced by 3% for each year you are under age 62. This is a permanent reduction for your lifetime.

When planning for retirement, evaluate **ALL** sources of income you may be receiving. Consider **when** and **how much** you'll draw from your deferred compensation plan, any IRAs or annuities. If you have an after-work hobby that might produce income in

retirement, consider that, too. Look at your options for taking Social Security and make sure that Social Security has an accurate accounting for all your years of work. Be sure to really look at a long-term budget projection. Think about putting money away for discretionary and emergency funds in case you need a new car in the future or have unexpected home repairs. Also think about your health insurance, since Medicare doesn't kick in until age 65.

When looking at your budget, keep in mind that even though your EPCRP benefit will never decrease, there is no guarantee it will keep up with inflation. This means you need to independently plan for increasing your cash flow or decreasing your expenses the longer you live.

Every person's situation is different, but the earlier you evaluate your retirement, the easier it will be to plan. To find out what your options are, go online to the Plan site at www.epcretirement.org, and click on the Employee Self Service link. Or, you can contact the EPCRP office at (719) 520-7490. We can provide detailed information on your benefit, as well as estimate what your benefit will be at a specific date.

www.epcretirement.org

Ellwood Associates Consultants Help Board Make Sound Financial Decisions

Without a doubt, financial markets worldwide have been a roller coaster the last several years. Ellwood Associates and Senior Consultant Dale Connors help the EPCRP board make sound investment decisions during what can be an unpredictable ride.

Ellwood Associates is an independent, employee-owned firm that specializes in advising institutional investors. Founded in 1977, the firm counts private and public pensions, college and educational endowments, and private and public foundations among its clients.

The firm's consulting services to the EPCRP board include asset allocation, investment structure and investment policy analysis, investment performance evaluations, and investment manager searches and research. Connors says Ellwood provides the board and its Executive Director with any other investment-related information they may need, as well.

The company started working with EPCRP in 2007 as Watershed Investment Consultants. Watershed merged with Ellwood Associates in June 2016. Connors says he's enjoyed working with the board.

"[The board members] are very conscientious about their fiduciary responsibilities," Connors says. "I think they're a good group."

Public pensions have unique challenges among institutional investors, particularly the need to reach a certain level of return to help fund the promised benefits. Connors says they are trying to make sure the pension plans they work with are aware of how investments react in different economic environments.

"We're focusing primarily on risk awareness, not necessary risk reductions, because you can't get to where you need to be without risk," Connors says.

For EPCRP and other pension plans, being long-term investors is an advantage. They can wait out short-term ups and downs in the markets that other investors can't stomach and hopefully reap the rewards, according to Connors.

But the global economy is proving to be daunting for investors of all kinds. Economic conditions are influencing investment markets more than they used to, Connors says, and inflation is picking up worldwide. The markets are also becoming more efficient, which means high returns are harder to come by.

"The investment world is becoming quite volatile and quite global," Connors says. "It is just more difficult to make high investment returns, at least in the near term, given the economic situation around a lot of the globe."

Connors says that, in addition to keeping an eye on investments, the EPCRP board is taking a close look at the plan in light of these economic conditions and working toward securing its long-term sustainability.

For more information about Ellwood Associates, visit their website at www.ellwoodassociates.com. For more information about EPCRP investments, visit www.epcretirement.org and click on *Investments*.



Life Doesn't Stop When You Retire

Call EPCRP at (719) 520-7490 and let us know if you have any changes to your beneficiaries or marital status. This helps ensure that any benefits payable when you pass away are processed efficiently and according to your wishes.

Plus, keep EPCRP contact information with your important papers. This makes it easier for your loved ones to contact us.

Retirement Board

Ray Bernier
SECRETARY
Member Elected

Mark Lowderman
TREASURER/CHAIR
Current El Paso County
Treasurer

Chris Long
BOCC Appointed

David Guest
ASSOCIATE BOARD
MEMBER

Board meetings are held on the fourth Monday of every month, except for June and December.

Nicola Sapp
Member Elected

Michael Pennica
VICE CHAIR
BOCC Appointed

Michael Varnet
ASSOCIATE BOARD
MEMBER

Contact the retirement office (719) 520-7490 for the location.

www.epcretirement.org

Understanding Your Social Security Benefit

Social Security is something most people count on as an important source of income when they're planning their retirement. However, it's just one source of income you can rely on in retirement. Most financial experts say you will need 70 percent to 80 percent of your preretirement income to have a comfortable retirement.

You have three options when it comes to starting your Social Security benefit. For all of these options, you must have at least 40 quarters (10 years) worth of Social Security contributions to qualify for a benefit.

Early retirement: When you start your benefit at age 62 up to your full retirement age, you receive a reduced benefit for life.

Full retirement: When you start your benefit at your full retirement age — between 65 and 67, depending on your birth year — you receive your full or unreduced benefit.

Delayed retirement: When you start your benefit after your full retirement age up to age 70, your monthly benefit is increased permanently.

When you run an estimate of your Social Security benefits at www.ssa.gov/retire, your results will include benefit amounts for full retirement age, as well as early and delayed retirement.

Coordinating Benefits

You can start your Social Security benefit as early as age 62. While it might be tempting to start your Social Security and EPCRP benefits at the same time, there is a drawback: Your Social Security benefit will be permanently reduced. (In contrast, 62 is full retirement age for EPCRP, so any benefit you start with EPCRP at age 62 is a full benefit for life.)

For example, a vested EPCRP member (born in 1950) decides to take his Social Security benefit at age 62. His Social Security benefit will be 75% of what he would have gotten had he waited four years until his full retirement age, which for Social Security is age 66.

Taking your Social Security benefit early can also reduce the amount your spouse might receive as a benefit. In the above example, early retirement could reduce the spousal benefit by up to 30%.

For every year you delay taking Social Security past your full retirement age, your Social Security benefit will increase by a certain percentage, depending on your birth year. Using the example above, our vested EPCRP member decides to wait and start his Social Security benefit at age 68. His Social Security benefit will be 116% of what his benefit would have been had he started it at his full Social Security retirement age. This delayed retirement

credit does not apply after age 70, so waiting until your 75th birthday wouldn't earn you any extra benefit.

Apply for Social Security benefits about three months before the date you want your benefits to start. If your full Social Security retirement age is greater than age 65, remember to apply for Medicare three months before to your 65th birthday. Delaying your enrollment could affect your Medicare benefits.

Work and Social Security

For many, working is part of their retirement plan. Working in retirement only affects your Social Security benefit if you start receiving it before full retirement age.

After you're older than your full retirement age, your Social Security benefit will not be affected, no matter how much you earn. For those taking early benefits, the Social Security Administration will withhold a \$1 of your benefit for every \$2 you earn above a certain earnings threshold. For more details, visit the SSA website and type "How Work Affects Your Benefits" to reach a brochure of the same name.

When you decide to start your Social Security benefits is a personal decision, based on your individual situation. However, knowing all your options can help you decide what's best for you.

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Step-by-Step Checklist to Retire With EPCRP

More than starting a benefit, retirement is a transition into a new phase in your life. By following the steps below, you can make it a smooth one.

Step 1. Know Your Numbers

Namely, your retirement income and your expenses. Well before you set a retirement date, request an estimate of your El Paso County Retirement Plan benefit, or go online to the Employee Self Service area and get an estimate of your benefit. You can obtain a Social Security estimate from www.ssa.gov. Take into account any personal savings you have earmarked for retirement, as well. Balance that income against your estimated expenses to make sure you are financially ready to retire.

Step 2. Give EPCRP a Call

Let us know when you would like to start your benefit two to three months ahead of

time. Call (719) 520-7490 and we'll be happy to discuss the retirement process with you, as well as provide you with the latest estimate of your EPCRP benefit.

Step 3. Visit your Benefits Division representative

El Paso County offers retiree health insurance through Employee Benefits. Talk to an Employee Benefits representative about your health insurance options, as well as any sick time or accrued annual leave you haven't taken yet that you could receive compensation for in your final paycheck. You can reach them at 520-7420.

Step 4. Turn in Your Paperwork

You'll receive a retirement packet from us with your final computation figures. By filling it out, you will:

- Let us know when you'd like to start your benefit
- Tell us what payment option you want
- Designate a beneficiary for your survivor benefit
- Indicate your federal and state income tax withholding
- Make your retiree health insurance elections

Please call us if you need any assistance with your retirement paperwork. We're here to help!

Step 5. Enjoy Your Retirement!

Congratulations! Wherever your retirement takes you, your EPCRP benefit will be there to help support you.

www.epcretirement.org



El Paso County Retirement Plan

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