

SECURITY BENEFIT

Navigating Your Investment Journey

WHICH PATH ARE YOU ON? – 403(b)

New York State Teachers' Retirement System (NYSTRS)





Agenda

- ✓ Your Options for Retirement
- ✓ Why it Matters
- ✓ How to Take Action



Your Options for Retirement

Social Security

- **Overview**

Mandatory federal program that promises a retirement benefit at a certain age

- **Full vs Partial Benefit**

Depending on when you begin taking Social Security, you may not receive the highest amount possible

- **Future Uncertain**

In 2020 the total cost of Social Security exceeded its total income (including interest) for the first time since 1982. This trend is projected to continue. Changes must happen to prevent insolvency sooner or later.

Source: Social Security Administration, "Summary of 2021 Annual Reports,"
<http://www.ssa.gov/oact/TRSUM/index.html>



Social Security

Full retirement age

If you were born ...	And you start taking Social Security at age ...								
	62	63	64	65	66	67	68	69	70*
Before 1937	80%	86.7%	93.3%	100%	105.5-106%	111-112%	116.5-118%	122-124%	127.5-130%
1938 – 42	75-80%	80-86%	86-93%	93-100%	106.5-107.5%	113-115%	119.5-122.5%	126-130%	132.5-137.5%
1943 – 54	75%	80%	86.7%	93.3%	100%	108%	116%	124%	132%
1955 – 59	70-75%	75-80%	80-86%	86-93%	93-100%	101.3-106.7%	109.3-114.7%	117.3-122.7%	125.3-130.7%
1960 +	70%	75%	80%	86.7%	93.3%	100%	108%	116%	124%

You are eligible for this percentage of your “full” benefit.

Once you begin taking Social Security, your benefit is locked in. It does not increase as you age.

Note: The government can change these benefit levels/amounts at any time for future retirees.

Source: Social Security Administration, www.ssa.gov

*When you reach age 70, your monthly benefit stops increasing even if you continue to delay taking benefits.



NYSTRS Pension

- **Overview**

The New York State Teachers' Retirement System is the second-largest public retirement system in the state and one of the 10-largest public pension funds in the nation

- **New workers may receive less benefit**

As more workers enter the system, newer and younger workers are typically seeing less benefits

- **Subject to state control**

The state can choose to make changes at any time



NYSTRS Pension

Plan Overview – Tier 1

Tier	1
Date of Membership	Before July 1, 1973
Retirement Age and Years of Service	<ul style="list-style-type: none">• Any age <u>with</u> 35 YOS, or• Age 55 <u>with</u> 5+ YOS*
Pension Factor	<ul style="list-style-type: none">• 1.8% per YOS before 1959, and• 2% per YOS after 1959**
Age Reduction Factor	5% for every year < 20 YOS (not to exceed 50%)
Final Average Salary	3-year or 5-year FAS – whichever is better

* Retirement may also occur at age 55 with less than five years of NYS service, if two years of NYS service are rendered after their current membership date and since they reached age 53.

** Tiers 1 and 2 can also provide eligibility for an additional 1% per year for prior out-of-state service, as long as this service does not bring your total service above 35 years. All Tier 1 members are eligible for a maximum of 10 years of credit for out-of-state public school teaching prior to joining NYSTRS, provided a benefit for this service will not be paid by another state or the federal government. Tier 2 members can only receive credit for out-of-state service if it was credited under a previous Tier 1 membership in NYSTRS.

Source: Active Members' Handbook August 2023

<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>



NYSTRS Pension

Plan Overview – Tier 2

Tier	2
Date of Membership	July 1, 1973 – July 26, 1976
Retirement Age and Years of Service	55 <u>with</u> 5+ YOS
Pension Factor	<ul style="list-style-type: none">• 1.8% per YOS before 1959, and• 2% per YOS after 1959**
Age Reduction Factor	<ul style="list-style-type: none">• Age 62+ or 55 <u>with</u> 30 YOS = no age reduction• < Age 62 with < 30 YOS = reduction based on retirement age
Final Average Salary	3-year FAS

Source: Active Members' Handbook, August 2023
<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>

** Tiers 1 and 2 can also provide eligibility for an additional 1% per year for prior out-of-state service, as long as this service does not bring your total service above 35 years. All Tier 1 members are eligible for a maximum of 10 years of credit for out-of-state public school teaching prior to joining NYSTRS, provided a benefit for this service will not be paid by another state or the federal government. Tier 2 members can only receive credit for out-of-state service if it was credited under a previous Tier 1 membership in NYSTRS.



NYSTRS Pension

Plan Overview – Tier 3

Tier	3
Date of Membership	July 27, 1976 – Aug. 31, 1983
Retirement Age and Years of Service	55 <u>with</u> 5+ YOS
Pension Factor	<ul style="list-style-type: none">• 1.66% per year if you have < 20 YOS, or• 2% per year if you have 20-30 YOS• 60% plus 1.5% for each additional YOS > 30
Age Reduction Factor	<ul style="list-style-type: none">• Age 62+ or 55 <u>with</u> 30 YOS = no age reduction• < Age 62 with < 30 YOS = reduction based on retirement age
Final Average Salary	3-year FAS

Source: Active Members' Handbook, August 2023

<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>



NYSTRS Pension

Plan Over – Tier 4

Tier	4
Date of Membership	Sept. 1, 1983 – Dec. 31, 2009
Retirement Age and Years of Service	55 <u>with</u> 5+ YOS
Pension Factor	<ul style="list-style-type: none">• 1.66% per year if you have < 20 YOS, or• 2% per year if you have 20-30 YOS, and• 60% plus 1.5% for each additional YOS > 30
Age Reduction Factor	<ul style="list-style-type: none">• Age 62+ or 55 <u>with</u> 30 YOS = no age reduction• < Age 62 with < 30 YOS = reduction based on retirement age
Final Average Salary	3-year FAS

Source: Active Members' Handbook, August 2023

<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>



NYSTRS Pension

Plan Overview – Tier 5

Tier	5
Date of Membership	Jan. 1, 2010 – March 31, 2012
Retirement Age and Years of Service	55 <u>with</u> 10 YOS
Pension Factor	<ul style="list-style-type: none">• 1.66% per year if you have < 25 YOS, or• 2% per year if you have 25-30 YOS, and• 60% plus 1.5% for each additional YOS > 30
Age Reduction Factor	<ul style="list-style-type: none">• Age 62+ or 57 <u>with</u> 30 YOS = no age reduction• < Age 57 (regardless of YOS) or 57-62 with < 30 YOS = reduction based on retirement age
Final Average Salary	3-year FAS

Source: Active Members' Handbook, August 2023

<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>



NYSTRS Pension

Plan Overview – Tier 6

Tier	6
Date of Membership	On or after April 1, 2012
Retirement Age and Years of Service	55 <u>with</u> 10 YOS
Pension Factor	<ul style="list-style-type: none">• 1.67% per year if you have < 20 YOS, or• 1.75% per year for all service if have 20 YOS, or• 35% plus 2% per year > 20 YOS
Age Reduction Factor	<ul style="list-style-type: none">• Age 63+ = no age reduction• < Age 63 = reduction based on retirement age
Final Average Salary	5-year FAS

Source: Active Members' Handbook, August 2023

<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>



NYSTRS Pension

Benefit Calculation Formula

Pension Factor x Age Factor (if applicable) x Final Average Salary = **Maximum Annual Pension**



Source: Active Members' Handbook, 2023
<https://www.nystrs.org/NYSTRS/media/PDF/Library/Publications/Active%20Members/handbook.pdf>



NYSTRS Pension

Tier 4 Benefit Formula – Example #1

Age	56 (76% reduction based on age and YOS <30)
YOS Credit	29 years as an NYSTRS member
Pension Factor	29 x 2% years = 58%
3-year FAS	\$45,000
Calculation	76% x 58% = 44.08% \$45,000 x 44.08% = \$1,653/monthly benefit

Source: <https://www.nystrs.org/nystrs/media/pdf/benefitcomparisontable.pdf>



NYSTRS Pension

Tier 4 Benefit Formula – Example #2

Age	57 (<i>no age reduction</i>)
YOS Credit	30 years as an NYSTRS member
Pension Factor	30 x 2% years = 58==60%
3-year FAS	\$45,000
Calculation	\$45,000 x 60% = \$2,250/monthly benefit

Source: <https://www.nystrs.org/nystrs/media/pdf/benefitcomparisontable.pdf>



NYSTRS Pension

Cost-of-living (COLA) Adjustment

An eligible NYSTRS retiree will receive an annual COLA that can no less than 1% and no more than 3% on the first \$18,000 of their retirement benefit. The percentage is 50% of the Consumer Price Index (CPI) increase from one March to the next, rounded up to the next higher one-tenth of 1%.

The COLA for Sept. 2023 – Aug. 2024 benefit payments is 2.5%.

Source: <https://www.nystrs.org/Retirees/Cost-of-Living-Adjustment>



To be eligible for a COLA, you must either be:

- At least age 62 and retired at least five years; or,
- At least age 55 and retired at least 10 years; or,
- A retiree receiving a NYSTRS disability benefit for at least five years (regardless of age); or,
- A surviving spouse of an eligible retiree receiving a lifetime benefit.
(By law, the spouse receives an increase equal to one-half the COLA the retiree would have received.)

NYSTRS Pension

COLA percentages and maximum increase history

COLA Effective Date	CPI Increase	COLA	Maximum Monthly Increase*
Sept. 2023	4.98%	2.5%	\$37.50
Sept. 2022	8.54%	3%	\$45.00
Sept. 2021	2.62%	1.4%	\$21.00
Sept. 2020	1.54%	1.0%	\$15.00
Sept. 2019	1.86%	1.0%	\$15.00

*Maximum monthly increase for eligible retirees with a maximum retirement benefit of \$18,000. Retirees receiving a maximum retirement benefit less than \$18,000 received a lesser monthly increase

Source: <https://www.nystrs.org/Retirees/Cost-of-Living-Adjustment>



Social Security + State Pension

Will social security and a state pension be enough?

Average annual Social Security benefit ¹	Average annual pension benefit ²	Total
\$24,852	\$28,765	\$53,617

You can't control Social Security or state pension amounts.

You can't control inflation or unexpected expenses.

¹ Mackey, B (2025). Social Security Announces 2.8 Percent Benefit Increase for 2026. Social Security Administration

² Teacher Pensions - What is the Average Teacher Pension Based on 2017 Figures (January 10, 2019)



Supplemental Savings

How Can You Save More?



Supplemental Savings

Two ways to help you save for the future

Pretax

Contributions are made to an account **BEFORE** income taxes are calculated

Account	Contributions
403(b)	From your paycheck
IRA	<u>On your own</u> to an individual account

After-tax

Contributions are made to an account **AFTER** income taxes are calculated

Account	Contributions
Bank savings account	<u>On your own</u> to individual account AND earnings are taxable
Roth 403(b)	From your paycheck
Roth IRA	<u>On your own</u> to individual account



Supplemental Savings – Pretax vs. After-tax

Sample Paycheck	Pretax	After-tax
Gross Income Per Pay Period	\$1,000	\$1,000
Tax-deferred Contributions (403(b)/IRA)	\$100	\$0
Current Taxable Salary	\$900	\$1,000
Tax (at federal tax rate of 24%)	\$216	\$240
Take Home Pay	\$684	\$760
After-tax Contribution (savings account)	N/A	\$100
Net Take Home Pay	\$684	\$660
Tax Savings	\$24	\$0

This hypothetical tax-deferred investment does not reflect deduction of any fees associated with the investment product to which contributions are directed. It is important to note that while taxes on amounts invested in tax-deferred investment are deferred until withdrawn, withdrawals are subject to ordinary income tax and, if made prior to age 59½, may be subject to a 10% IRS penalty tax. Conversely, earnings from investments that do not offer tax deferral are taxed currently, and withdrawals from such an investment are not subject to the penalty tax.

Some situations such as your personal investment horizon and income tax brackets (both current and anticipated), changes in tax rates and tax treatment of investment earnings, and lower maximum tax rates on capital gains and dividends may impact the results of this comparison. Each person's situation is different so these and other considerations must be taken into account when making an investment decision. For illustrative purposes a tax rate of 24% has been used; however, a person's tax rate will likely change over time.





Why it Matters

THE IMPORTANCE OF SAVING ON YOUR OWN



What will retirement look like?

THE AVERAGE U.S. WORKER RETIRES AT³

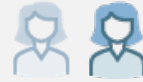
AGE **62**

ON AVERAGE, WE ARE LIVING LONGER⁴



1 in 2

men will live to be 90



1 in 2

women will live to be 90

MARRIED PEOPLE ARE LIVING EVEN LONGER⁴



1 in 2

spouses will live to be 89



1 in 4

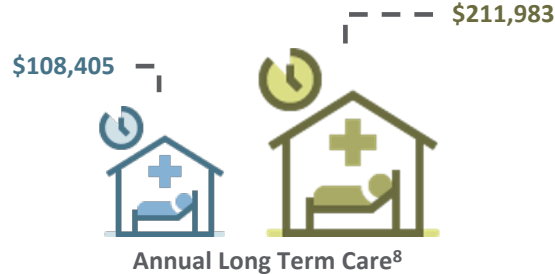
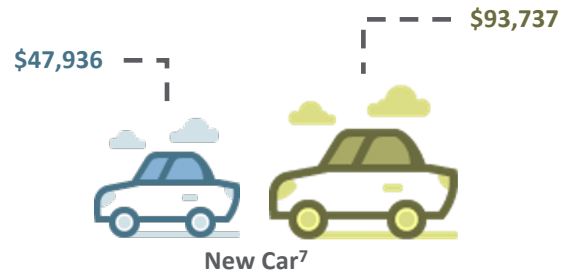
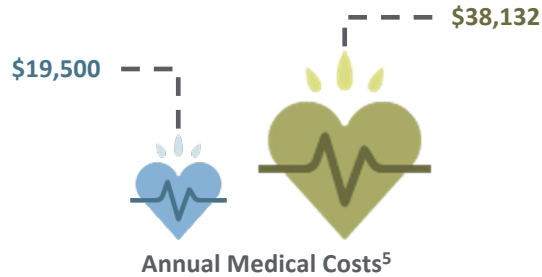
spouses will live to be 94

³ Picchi, A. (2024). Planning on Retiring at 65? Most Americans Retire Far Earlier - And Not By Choice.

⁴ Kitces, M. (2019). Life Expectancy Assumptions in Retirement Planning.



Retirement expenses could look different.



● Today's Cost

● In 20 Years

⁵ <https://creativeplanning.com/insights/financial-planning/budget-healthcare-retirement/>

⁶ USDA Food Plans: <https://www.sofi.com/learn/content/average-grocery-budget-family-of-5/>. An inflation rate of 3.41% was used to calculate future grocery costs, and is derived from historic consumer indexes.

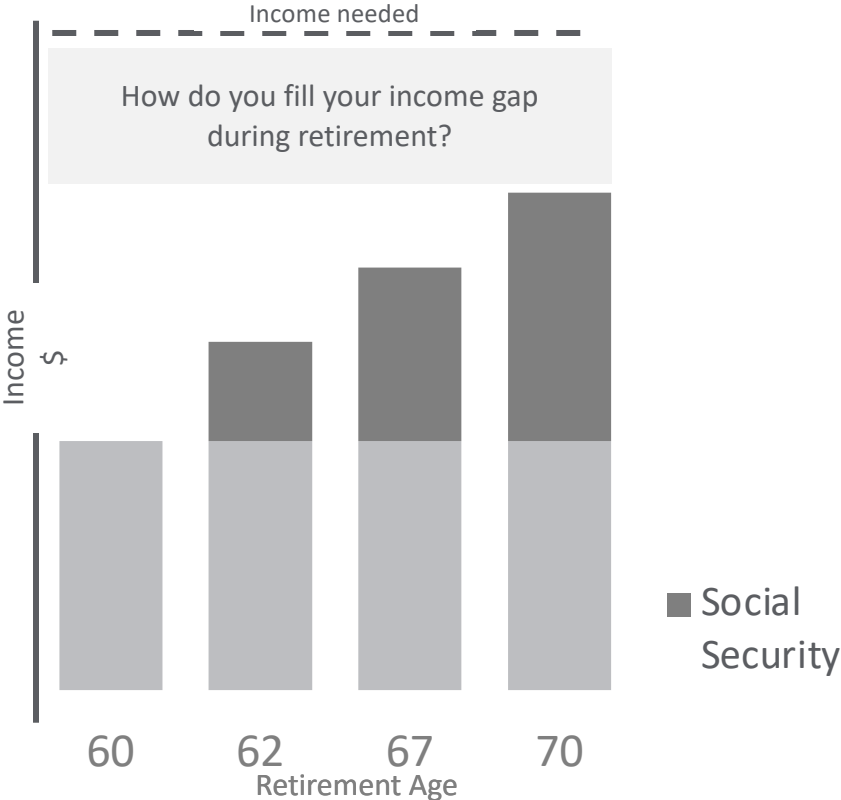
⁷ <https://www.kbb.com/car-news/new-car-prices-rose-0-3-last-month/>. An inflation rate of 3.41% was used to calculate future new car costs, and is derived from historic consumer indexes.

⁸ <https://www.retireguide.com/long-term-care-insurance/costs/average-by-state/>. Annual median nursing home cost (private room). An inflation rate of 3.41% was used to calculate future costs and is derived from historic consumer indexes.



How much will I need?

Everyone's retirement income needs are different, but on average, Social Security and a state pension are not enough to meet expenses.



How much will I need?

403(b) accounts and IRAs can be used to:

- Help you generate retirement income; or
- Provide time for you to wait and maximize other sources of income

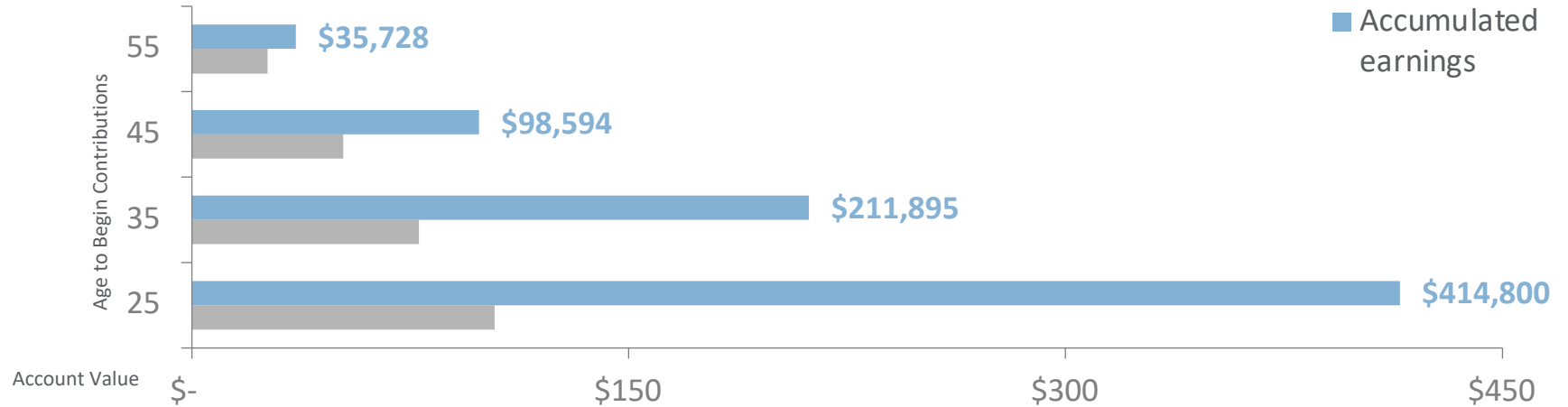




Saving on your own for retirement matters because it may be the only way to bridge the gap between *what you have* and *what you need*.

How much can I save?

Time: Your most valuable asset. If you saved just \$100 per paycheck, how much might you eventually accumulate?
It's never too early – or too late – to start saving for retirement.



This illustration does not take into account the effect of any state or federal taxes. The performance of the investment, 6%, in the illustration is hypothetical and in no way relates to the actual or expected performance of any investment. The results of an investment may differ substantially. Investing involves risk and there is no guarantee of investment results. This illustration assumes \$100 invested 26 times per year.



The basics of tax-deferred saving.

- Tax-deferred saving is available in a 403(b), 457 or IRA
- Save pretax now, pay taxes on withdrawal at retirement
- Depending on tax brackets, it might be like getting as much as **22% extra** for every dollar you save!

		Total Contributions	Potential Savings ⁶
403(b) or 457	Annual Limit \$24,500	\$24,500	\$5,390
	Annual Catch-up: Age 50-59 or 64+ + \$8,000	\$32,500	\$7,150
	Annual Catch-up: Age 60-63 ⁷ + \$11,250	\$35,750	\$7,865

IRA	Annual Limit \$7,500	\$7,500	\$1,650
	Annual Catch-up: Age 50+ \$1,100	\$8,600	\$1,892

⁶ Based on IRS 2025 Contribution Limits for Retirement Plans. Assumes a federal tax rate of 22%

⁷ Beginning Jan. 1, 2025, 403(b) plan contribution catch-up limits will increase to \$10,000 or 150% of the regular catch-up limit (whichever is greater) for participants aged 60-63.





How to Take Action

WHAT PATH ARE YOU ON?

Trail One: Early Career

(working < 10 years)

Time is your greatest asset as you start your journey.

- Put retirement savings first; contribute money **each and every** pay period
- Homes, cars. and even college tuition can all be financed with loans – retirement can't
- Payroll deferrals make it easy
 - Automatically deducted from your paycheck
 - Can easily adjust contribution amount at any time



Trail Two: Mid Career

(working 10-25 years)

A brisk walk into the accumulation and preparation stage.

- Review your savings plan. Has it kept up with:
 - Job changes
 - Annual raises
 - Salary schedule changes
- Review your pension benefit
- Determine a strategy to take retirement income
- Adjust your portfolio risk, if necessary



Balancing Risk

- Those with more time before retirement, or more appetite for risk, may choose investments with higher returns
- As you approach retirement, more conservative investments may help you mitigate loss
- Remember that your account does not automatically update for you!



Trail Three: Late Career

(last 10 years)

Reaching the summit – be ready for distributions.

- Review your savings plan, pension benefit and retirement income strategy
- Adjust your portfolio risk, if necessary
- Consider an estimated retirement date
- Factor in the economic outlook
- Ensure post-retirement budget is still appropriate



When do I need to decide to take benefits?



IRAs and Other Distributions

Standard age for penalty-free withdrawals from Traditional IRA or other accounts

55

59½

62

65

67

70

73



Penalty-free Distributions

403(b) and other retirement plans allow penalty-free distributions when separated from service



Medicare

Qualification age

Potentially UP TO **30% HIGHER** Social Security
Delay starting benefit until age 70; benefit may be up to 30% higher



Social Security

Full Retirement Age
Take benefits
Delay benefits until age 70



Required Minimum Distributions (RMD)

Age you must begin taking withdrawals from tax-deferred accounts



A checklist to get started:

01

Review
your plan
options

02

Register for
your benefits
- [MyNYSTRS
Login](#)

03

Determine the
best way for
you to save –
for today and
for retirement

04

Start small –
start now

05

Review your
retirement
portfolio
annually



Tools available to you:



Online Calculators

What will your pension and/or social security benefit be?



Income Gap Report

Are there any potential income gaps in your retirement plan?



Paycheck Analysis Report

Think you can't contribute more? Have your financial professional run a paycheck analysis report. You might be surprised.



Income and Spending Strategy

How are you going to start taking income in retirement? Talk to your financial professional to develop a plan.



Summary

Regardless of the path you're on, you can take control of your personal financial journey.



Start Your Journey.

Start to save now and leverage the power of tax-deferral accounts.



Move Forward.

Understand your pension benefit and adjust your strategy now to reach your retirement goals.



Reach the Summit.

Develop a strategy to maximize your income to meet your ever-changing needs throughout retirement.





Our Promise: Helping our clients *To and Through Retirement*[®].

Our Mission: Since 1892, Security Benefit has believed everyone deserves an opportunity to achieve financial security. We deliver innovative retirement solutions to individuals and families across America to help them build strong futures now and for generations to come.

Learn More

Meet with your school district's local financial professional:



Start Your Journey.



Move Forward.



Reach the Summit.



1. Launch the Camera app on your device
2. Point it at the QR code
3. Look for the notification banner at the top of the screen on your device
4. Fill out the form to have an NEA Retirement Specialist* contact you

*NEA Retirement Specialists, when making recommendations to an NEA member, offer only Security Benefit products.





Thank you

[First Name][Last Name]

[Title]

—

First.Last@SecurityBenefit.com

XXX-XXX-XXXX



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