

# Your Pension Benefits

General Municipal Employees (MERS)



*Employees' Retirement System of  
Rhode Island*  
[www.ersri.org](http://www.ersri.org)

# What is Your Pension?



- ▶ The Employees' Retirement System of Rhode Island has a **Hybrid Benefits Plan** made up of a Defined Benefit plan (**DB plan**) and a Defined Contribution plan (**DC plan**).



# What is a Defined Benefit Plan?

- ▶ A defined-benefit plan, also called a pension, is a plan that **pays you a specific amount of money**, per month, when you become eligible for retirement benefits.
- ▶ These plans usually have **formulas** to determine how much you receive in benefits based on criteria such as how long you have worked for your employer and what your salary is.



# What is a Defined Contribution Plan?

- ▶ A defined contribution plan is a plan that does not pay a specific benefit when you retire, but **allows you to save money in a tax-deferred account.**
- ▶ Your employer contributes to the defined contribution plan also.
- ▶ The MERS plan has a 401(a) type of defined contribution plan that is **managed by TIAA-CREF.**
- ▶ At retirement, you withdraw this money over time for living expenses.



# Do I Make Contributions to the DB and DC Plans?

- ▶ Yes, you make contributions to both the DB and the DC plan.
- ▶ However, as part of the pension settlement, if you **have 20 or more years of service credit as of June 30, 2012**, you will **discontinue in the DC Plan** as of July 1, 2015 and will continue to own your own account.
- ▶ Employees with the 20 + years will **contribute an additional 2.25%** for a **total of either 8.25% or 9.25%** (*depending if your employer has a COLA provision*)

Contributions	Defined Benefit (DB)	Defined Contribution (DC)
Employee	1%	5% or 7% (if not in Social Security)
Employee (with COLA)	2%	5% or 7% (if not in Social Security)
Employees with 20+ Years of Service	8.25% (1+5+2.25)	<b>No longer participates in the plan</b>



# Changes to the DC Plan as Part of the Settlement?

If you have **more than 10 years** of service but **less than 15** as of June 30, 2012, your employer will contribute an **additional 0.25%** for a total of **1.25%** (*3.25% for employees who do not contribute to Social Security*) to the defined contribution plan on your behalf.

If you have **at least 15 years** of service but **fewer than 20 years** as of June 30, 2012, the employer will contribute **additional 0.50%** for a total of **1.50%** (*3.50 % for employees who do not contribute to Social Security*) to the defined contribution plan on your behalf.



# Changes to the DC Plan as Part of the Settlement?

- ▶ If you make \$35,000 (*indexed using the COLA formula*) or less per fiscal year effective July 1, 2015, **you will not be charged** administrative fees on the DC Plan.
- ▶ These fees are currently \$40.00 a year.



# How does the DB Plan Work?

The MERS Plan has a formula that works like this:





# What does Accrual Rate Mean?

- ▶ The accrual rate is the rate at which you built up pension benefits while you were an active member of your defined benefit plan.
- ▶ It is most commonly expressed as percentage per year, such as 1.85%, 2.25% or 3.5% etc. per year.
- ▶ So, in a pension benefit calculation, for example, you may have accrued 1.85% of your final pensionable salary for each year of pensionable service.



# What's My Accrual Rate in MERS?

- ▶ You'll retain the accrual rate that you have earned as of June 30, 2012 of **2.0% per year of service**.
- ▶ Effective July 1, 2012, the accrual rate is **1% per year of service**.
- ▶ The maximum benefit will not exceed 75%.
- ▶ As part of the recent pension settlement, those members with **twenty (20) or more years of service as of June 30, 2012** will have a **2.0% accrual** rate for years of service after July 1, 2015.



# What Is A Schedule In MERS?

A schedule identifies the benefits you are entitled to given your years of service as of a particular time.

## Schedule 1 or Sch. 1 with 20+

- Members eligible to retire on or before 6/30/2012.
- 30 years of service
  - or
- Age 58 with 10 years of contributing service

## Schedule 2 or Sch. 2 with 20+

- Active as of 7/1/12 and not eligible to retire as of 6/30/12 and has 5 or more years of service (YOS).

## Schedule 3

- Active as of 7/1/12 and not eligible to retire as of 6/30/12 with less than 5 YOS.

## Schedule 4

- New Hires on/after 7/1/12.



# What is the Final Average Salary (FAS)?

## Schedule 1 or Sch. 1 with 20+

- 3 highest consecutive years of compensation.

## Schedule 2 or Sch. 2 with 20+

- 5 highest consecutive years of compensation *but in no event is a member's final compensation to be lower than final compensation determined as of 6/30/12.*

## Schedule 3

- 5 highest consecutive years of compensation *but in no event is a member's final compensation to be lower than final compensation determined as of 6/30/12.*

## Schedule 4

- 5 highest consecutive years of compensation.



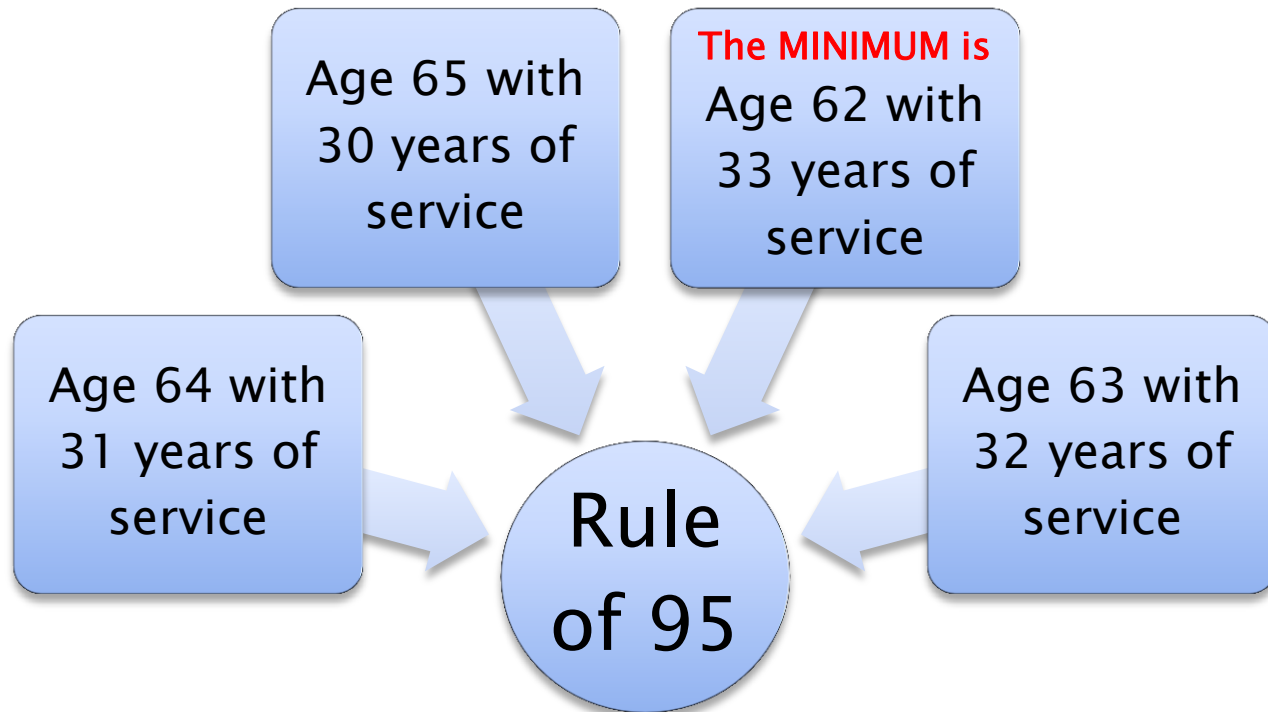
# When Can I Retire – Your Pension!

- ▶ You may receive your pension at either full or early retirement benefits.
  1. **Full Benefits** – You can receive **unreduced benefits**:
    - a. If you were **eligible to retire** on or before June 30, 2012.
    - b. You have an **adjusted Social Security Normal Retirement Age (SSNRA)** after June 30, 2012 because you were an active member as of June 30, 2012.
    - c. You became an active member after June 30, 2012 and are **eligible at SSNRA**.
    - d. Your age and service equal 95.
  2. **Early Benefits**
    - a. You may qualify under a **transition rule**.



# When Can I Retire – Your Pension!

- ▶ The pension settlement added another retirement eligibility provision known as the “Rule of 95” i.e. your **age** and **service** must **equal 95**.
- ▶ **You MAY retire earlier if your FULL BENEFIT DATE is sooner or you are eligible under a transition rule.**



# What is a Transition Rule?

Transition rules allow for an earlier retirement date provided you meet certain criteria.

All of the transition rules will **reduce your benefit** but you'll be able to **receive it sooner**.

As part of the pension settlement, if you have 20 or more years of service and are within 5 years of your full retirement benefit, you may retire early with a reduction in your retirement allowance. The reductions per year are below. For example, if you are **5 years away from your full benefit date, the total reduction is 38%**

9% year 1

8% year 2

7% year 3

7% year 4

7% year 5



# What is a Transition Rule?

An additional rule provides an earlier retirement date. However, you'll need to **have completed 10 years of service as of June 30, 2012.**

Your benefit will be determined using your **FAS** and **Accrual** (*years of service*) as of June 30, 2012. You'll need to be sure that you at least **reached eligibility under the "old" rules.**

You'll be able to **begin receiving** your benefit on your **eligibility date determined as of June 30, 2012.**





# When Can I Retire – Your Pension!

<p>Schedule 1 or Sch. 1 with 20+  <b>Eligible to retire on or before 6/30/12</b></p>	<p>Schedule 2 or Sch. 2 with 20+  <b>Active</b> as of 7/1/12 and <b>not eligible</b> to retire as of 6/30/12 and has <b>5 or more YOS</b></p>	<p>Schedule 3  <b>Active</b> as of 7/1/12 and <b>not eligible</b> to retire as of 6/30/12 with <b>less than 5 YOS</b></p>	<p>Schedule 4  <b>New Hires on/after 7/1/12</b></p>
<p>30 years of service at any age or Age 58 with 10 years of contributing service</p>	<p>Social Security Normal Retirement Age (SSNRA) proportionally scaled back based on years of service earned as of 6/30/12</p> <ul style="list-style-type: none"> <li>• Not less than age 59</li> <li>• 5 years of contributory service</li> </ul>	<p>Social Security Normal Retirement Age (SSNRA) and 5 years of contributory service</p>	<p>Social Security Normal Retirement Age (SSNRA) and 5 years of contributory service</p>



# Can I Leave My Pension Benefit To Someone Else When I'm Gone?

YES! You can select a Joint and Survivor Option (a.k.a J&S option).

A J&S option is a **pension issued on two individuals** under which payments **continue in whole or in part until both individuals die.**

The MERS allows you two choices. There is a reduction in the benefit that is based on the difference in age between the retiree and beneficiary:

**Option One** - reduces benefit; guarantees beneficiary the same amount after member's death.

**Option Two** - reduces benefit; guarantees beneficiary half the pension after member's death.



# What About A Cost of Living Adjustment?

- ▶ If the plan is **less than 80% funded**, COLA is **suspended**.
- 1. **Resumes annually at DOR anniversary (+1 month)** when plan is greater or equal to 80% funded for eligible retirees.
- 2. COLA delayed until **later of SSNRA or 3 years after retirement**.
- 3. 50% of COLA calculated using **previous 5 year average of investment return** (max of 4%), and 50% calculated using **previous year's CPI-U** (max of 3%) for a total maximum COLA of 3.5%



# What About A Cost of Living Adjustment?

4. COLAs are calculated on the **first \$25,855** (*indexed using the COLA formula*) of your pension benefit.
5. Under the settlement, members of retirement plans **that are not 80 percent funded** may receive COLAs **every four years until their plan is 80 percent** funded or better.
6. The **first** fourth-year COLA payment for plans that are **not 80% funded** will take place in calendar **2017**.



# Part-time Anti Spiking Rule

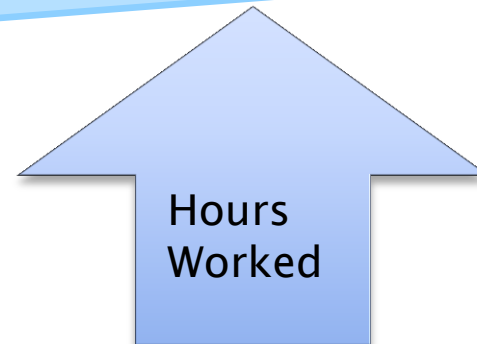
If your compensation is less than \$35,000 (indexed)



If more than one half (1/2)  
of your total years of  
service consist of years  
during which you **devoted**  
**less than thirty (30)**  
**business** hours per week,

Greater of highest 10-year average earnings or the highest 5-year average earning

But your average  
compensation consists of  
three (3) or more years  
during which you **devoted**  
**more than thirty (30)**  
**business** hours per week



Never less than compensation as of June 30, 2012.



# Questions?

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