

Your Pension Benefits

Teachers (ERS)



*Employees' Retirement System of
Rhode Island*
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 ERS 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 11%**

Contributions	Defined Benefit (DB)	Defined Contribution (DC)
Employee	3.75%	5%
Employees with 20+ Years of Service	11.00% (3.75+5+2.25)	No longer participates in the plan



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%** 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%** 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.
 - *Indexing is an inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.*
- ▶ These fees are currently \$40.00 a year.



How does the DB Plan Work?

The ERS Plan has a formula that works like this:



What's My Accrual Rate in ERS?

- ▶ The accrual rate is the percentage at which you built up pension benefits while you were an active member of your defined benefit plan.
- ▶ You'll retain the accrual rate that you have earned as of June 30, 2012 (*i.e. Schedule A or B rates or Schedule A/B.*)
- ▶ Effective July 1, 2012, the accrual rate is **1% per year of service.**
- ▶ As part of the recent pension settlement, those members with **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.



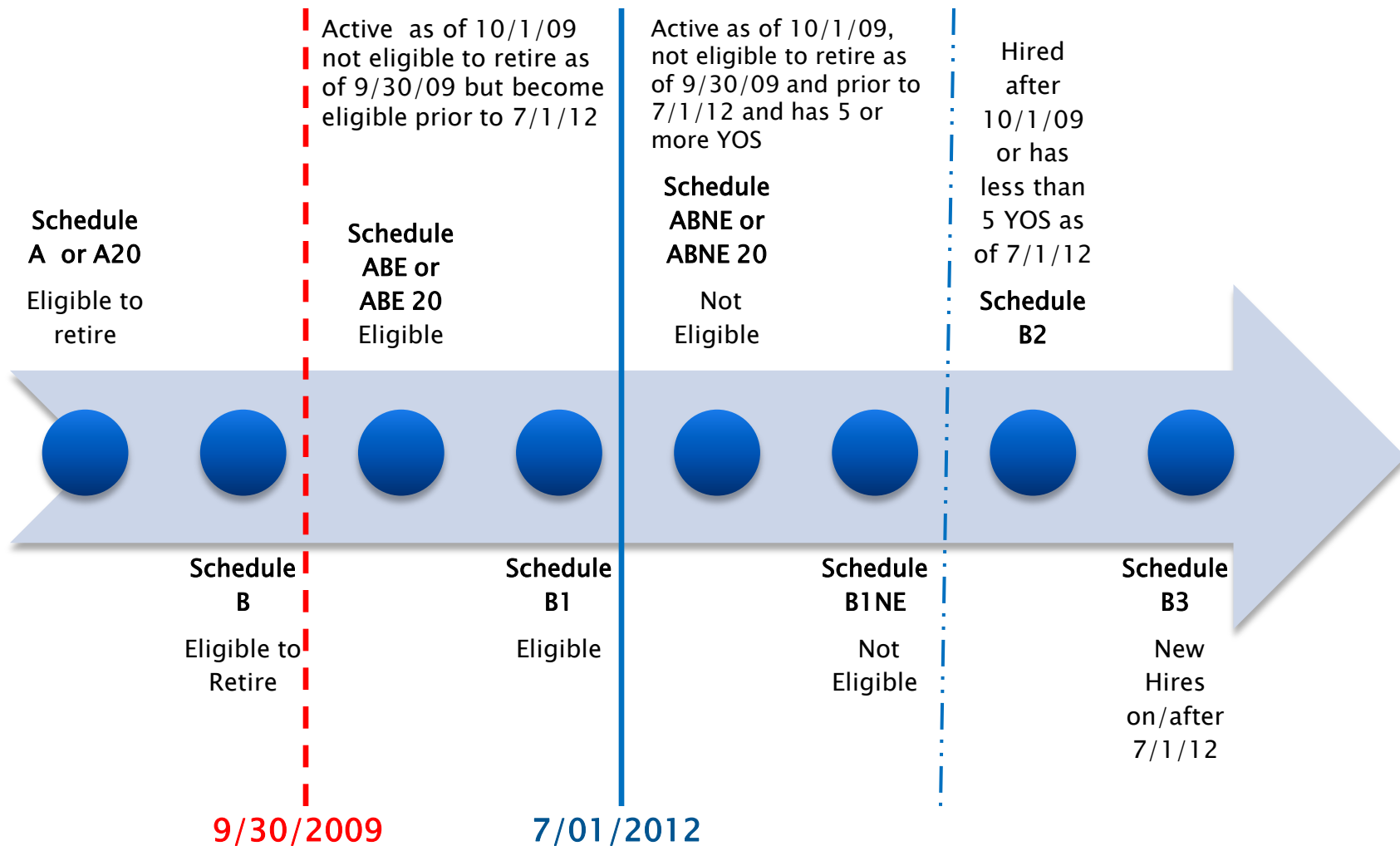
Accrual Rates for Teachers

Year(s) Earned	Schedule A through 6/30/12; A/B through 10/1/09	Schedule B through 6/30/12; A/B from 10/1/09-6/30/12	Accruals as of 7/1/2012 (all members)	Accruals as of 7/1/15 (if 20 or more years at 6/30/2012)
Years 1-10	1.7%	1.6%	1.0%	n/a
Years 11-20	1.9%	1.8%	1.0%	n/a
Years 21-25	3.0%	2.0%	1.0%	2.0%
Years 26-30	3.0%	2.25%	1.0%	2.0%
Years 31-34	3.0%	2.5%	1.0%	2.0%
Year 35	2.0%	2.5%	1.0%	2.0%
Years 36-37	n/a	2.5%	1.0%	2.0%
Year 38	n/a	2.25%	1.0%	2.0%

The maximum benefit will not exceed 75% (*or 80% depending on your schedule*)



What is a Schedule In ERS?



What is the Final Average Salary (FAS)?

Schedule A, A20 or B

- 3 highest consecutive years of compensation.

Schedule ABE, ABE20, ABNE, ABNE 20, B1 E, B1 NE, B2 or B3

- 5 highest consecutive years of compensation.



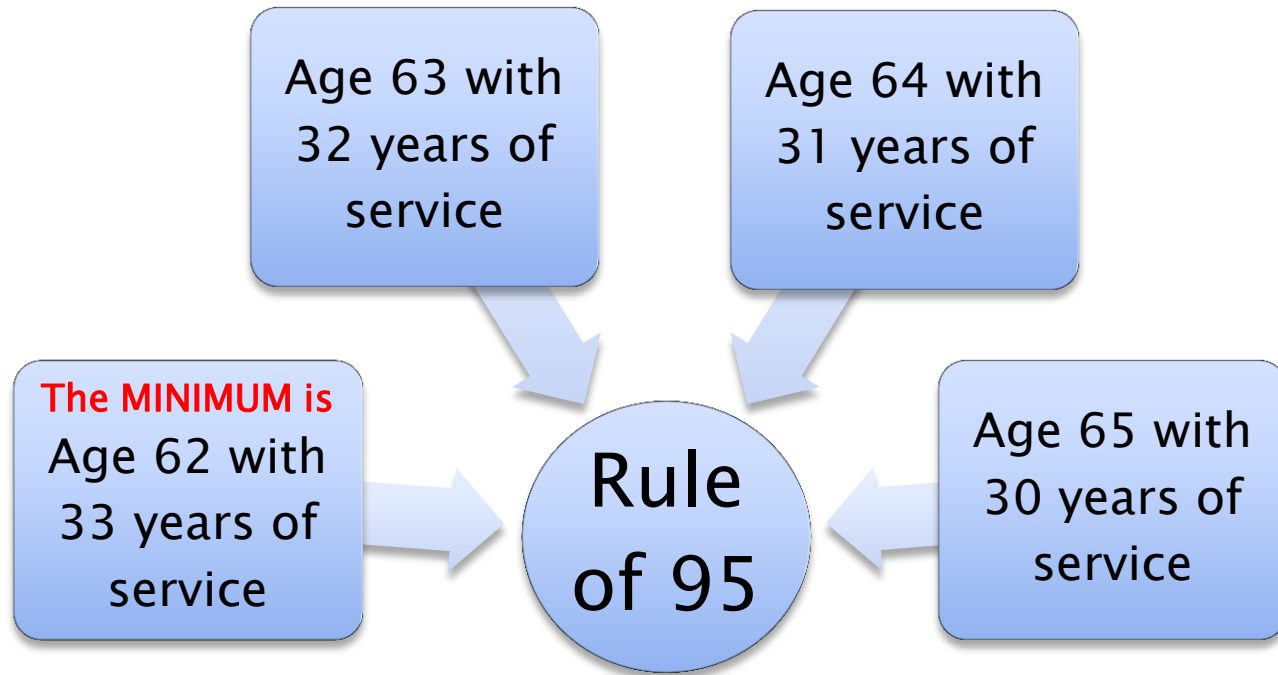
When Can I Retire – Your Pension!

- ▶ 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?

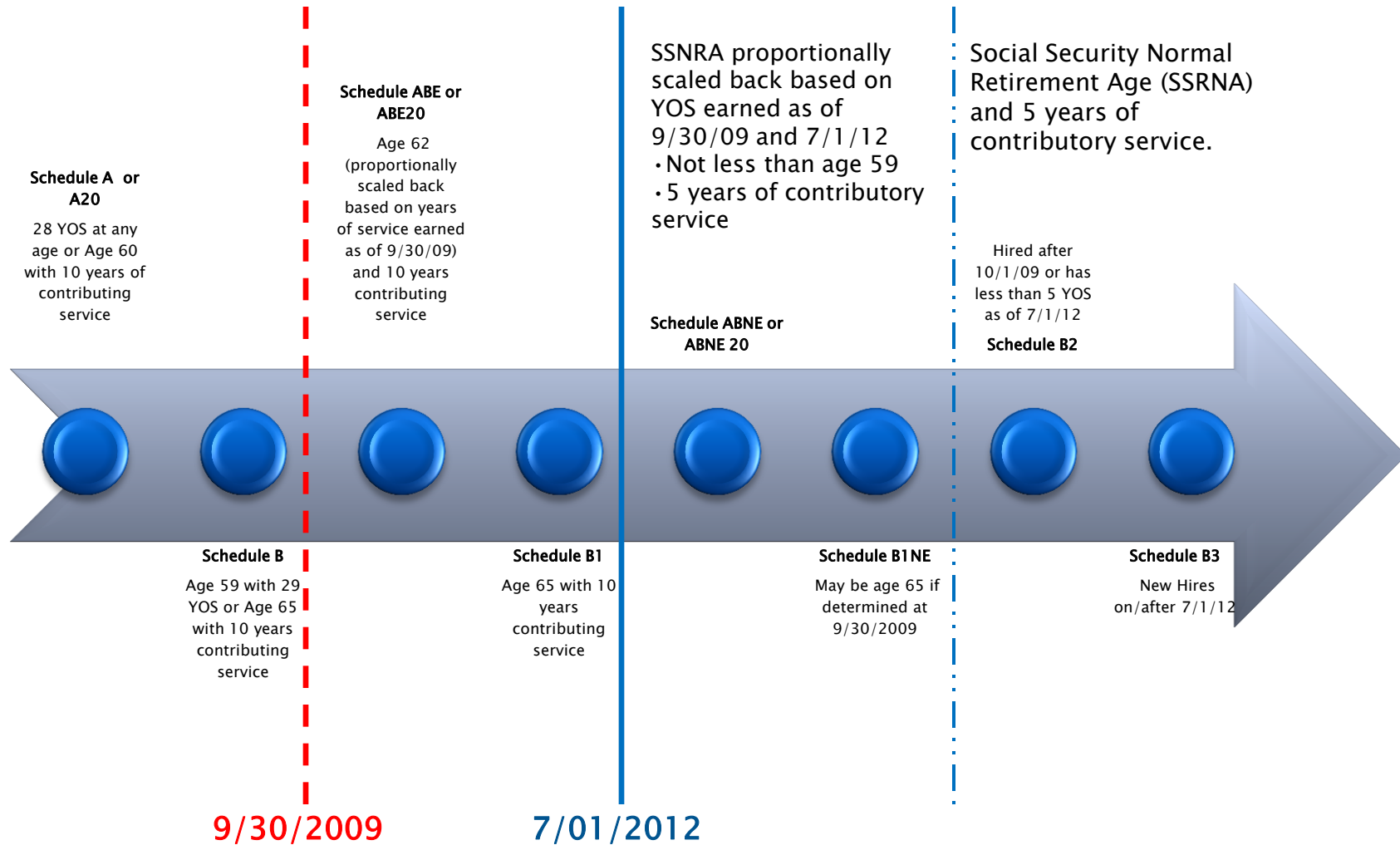
An additional rule provides an earlier retirement date. However, you'll need to **have completed 10 years of service as of June 30, 2012.**

Your benefit will be determined using your **FAS** and **Accrual** (*the % (percentage) represented by 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!



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 ERS 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 retirement anniversary date plus one month** when the 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

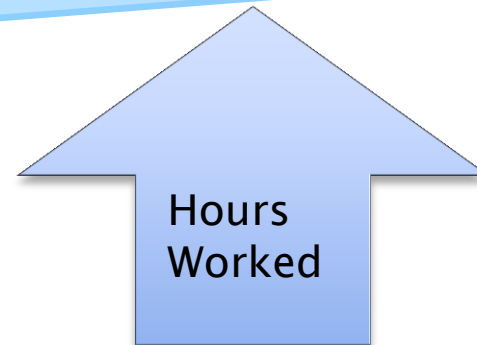
If your compensation is less than \$35,000 (indexed)



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,

Your pension will be calculated based on the greater of highest 10-year average earnings or the highest 5-year average earnings

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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