

Your Pension Benefits

General Municipal Police and Fire Employees
(MERS)



*Employees' Retirement System of
Rhode Island*
www.ersri.org

What is Your Pension?



- ▶ The Municipal 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 **may** make contributions to both the DB and the DC plan **if** your department does not participate in Social Security.
- ▶ Employees will **contribute an additional 2.0%** for a **total of either 9.0% or 10.0%** (*depending if your employer has a COLA provision*)

Contributions	Defined Benefit (DB)	Defined Contribution (DC)
Employee	9%	3% (<i>if not in Social Security</i>) and 3% by Employer
Employee (with COLA)	10%	3% (<i>if not in Social Security</i>) and 3% by Employer

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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 Police and Fire Plan has a formula that works like this:



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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, for example 1.85%, 2.25% or 3.5% etc. per year.
- ▶ So, in a pension benefit calculation, for example, you may have accrued 2.0% 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.
- ▶ Benefit accrual for service **prior** to 7/1/12:
 - For Standard 25 and out plans – 2% per year
 - For Standard 20 and out plans – 2½% per year
 - For Special Plans:
 - Cranston Police and Fire – 2½% per year
 - South Kingstown Police – 2% per year to 7/1/1993 and 2.5% to 6/30/12
 - Hopkinton Police – 2½% per year
 - Richmond Police – 2.2727% per year
 - Burrillville Police – 3 % years 1–20 / 1.5% years 21–30
- ▶ Benefit accrual for **service after 7/1/12** for ALL plans is **2% per year**.

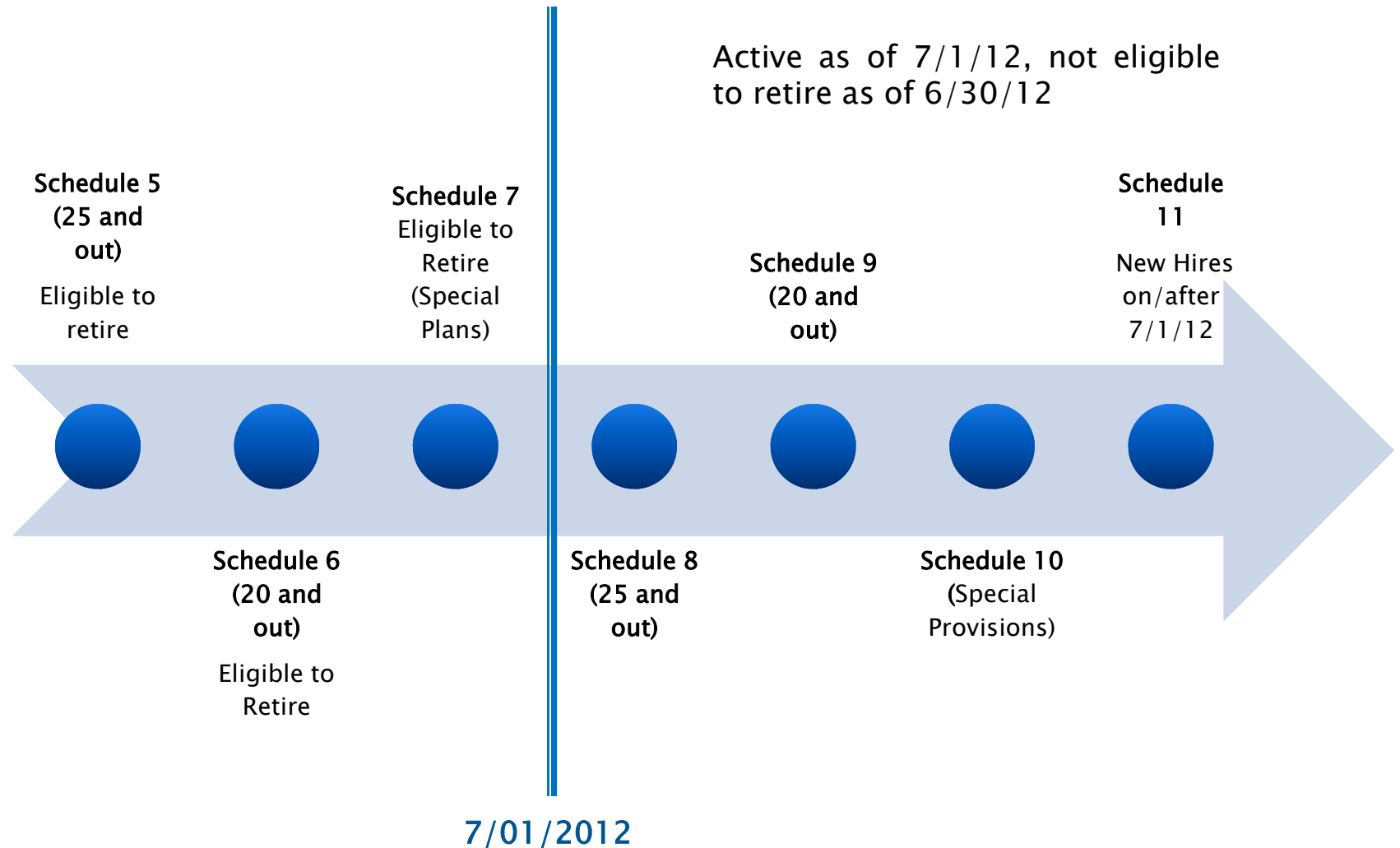


What's My Accrual Rate in MERS?

- ▶ For MERS Police & Fire, active members (*including future hires*), who retire after July 1, 2015 and after **attaining age 57 with 30 years of service**
 - 2.25% of FAS multiplied by total years of service **or** the accrued benefit determined as of June 30, 2012 plus 2.25% of FAS multiplied by years of service after June 30, 2012, whichever is greater.
- ▶ The maximum benefit will not exceed 75%.



What is a Schedule In MERS?



What is the Final Average Salary (FAS)?

Schedule 5, 6 or 7
Service Retirement **before**
6/30/12:

- 3 highest consecutive years of compensation or special provision highest year

Schedule 5, 6 or 7
Service Retirement **after**
6/30/12:

- 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 8, 9 and 10

- 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 11

- 5 highest consecutive years of compensation.



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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. Effective July 1, 2015, you have attained **age 50 with 25 years of total service**.
 - c. Effective July 1, 2015, you completed 27 years of service regardless of age.
 - d. You have 5 years of service but less than 25 and retire at **Social Security Normal Retirement Age (SSNRA)**
 2. Early Benefits
 - a. You may qualify under a **transition rule**.



What is a Transition Rule?

Transition Rule 1 allows 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 age 55 or SSNRA, 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?

Transition Rule 2 provides an earlier retirement date.

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**.



What is a Transition Rule?

Transition Rule 3 provides that you have **ten (10) or more years of contributory service** and **attained 45 prior to 7/1/2012.**

And you would have been **eligible to retire** at or prior to **age 52** in accordance with the **rules in effect prior to 7/1/2012.**

If you meet this criteria, you may retire upon attainment of age 52.



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.



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

- ▶ A special provision for Police and Fire when selecting the SRA Plan
- ▶ RIGL provides that upon your death, your spouse **so long as she/he does not remarry** will receive **30% of your salary** plus an **additional 10% for each child under age 18** to a **maximum** family benefit of **50%**.



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 age 55 or 3 years after retirement if you retired between 7/1/2012 and 6/30/2015 or age 50 or 3 years after retirement if you retired after 7/1/2015**.
- 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**.



Questions?

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