Understanding Your Retirement Plan and Options

2019
ERS is a **Defined Benefit Plan**

- Guaranteed lifetime benefit for member
- Benefit level established by law
- Benefit calculated using a formula
- Retirement benefits **NOT** dependent upon the investment returns earned on members’ contributions

**COLAs are not guaranteed!**
Tier 1 Members

Regular members contribute **7.5%** of earnable compensation

Full time, Certified Firefighters, Correctional Officers, and Law Enforcement Officers contribute **8.5%** of earnable compensation

RSA participation is mandatory
Tier 2 Members

Regular members contribute 6.0% of earnable compensation.

Full time, Certified Firefighters, Correctional Officers, and Law Enforcement Officers contribute 7.0% of earnable compensation.

RSA participation is mandatory.
## Death of a Member Prior to Retirement

### Tier 1

<table>
<thead>
<tr>
<th>Member Age</th>
<th>Years of Service Credit</th>
<th>Preretirement Death Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ineligible to Retire</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 60 or 60 and older</td>
<td>Between 1 and 25</td>
<td>Member contributions, total interest earned, plus an amount equal to the member’s salary for the prior fiscal year (October 1 - September 30)</td>
</tr>
<tr>
<td></td>
<td>Between 1 and 10</td>
<td></td>
</tr>
<tr>
<td>Any age</td>
<td>Less than 1 year, death was job-related</td>
<td>Member contributions, total interest earned, plus an amount equal to the member’s salary at time of death</td>
</tr>
<tr>
<td>Any age</td>
<td>Less than 1 year, death was not job-related</td>
<td>Member contributions, total interest earned, plus an amount matching the contributions and interest but limited to a maximum of $5,000</td>
</tr>
</tbody>
</table>

### Eligible to Retire or 25 Years of Service

<table>
<thead>
<tr>
<th>Member Age</th>
<th>Years of Service Credit</th>
<th>Preretirement Death Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any age or 60 and older</td>
<td>25 or more</td>
<td>Choice of: 1. Option 3 monthly benefit (50% of member’s retirement benefit) to the spouse or beneficiary (this choice is not available for multiple beneficiaries)</td>
</tr>
<tr>
<td></td>
<td>10 or more</td>
<td>Or 2. Member contributions, total interest earned, plus an amount equal to the member’s salary for the prior fiscal year (October 1 - September 30)</td>
</tr>
</tbody>
</table>
### Death of a Member Prior to Retirement **Tier 2**

<table>
<thead>
<tr>
<th>Member Age</th>
<th>Years of Service Credit</th>
<th>Preretirement Death Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ineligible to Retire</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under age 62 or 62 and older</td>
<td></td>
<td>Member contributions, total interest earned, plus an amount equal to the member’s salary for the prior fiscal year (October 1 - September 30)</td>
</tr>
<tr>
<td></td>
<td>Between 1 and 10</td>
<td></td>
</tr>
<tr>
<td>Any age</td>
<td>Less than 1 year, death was job-related</td>
<td>Member contributions, total interest earned, plus an amount equal to the member’s salary at time of death</td>
</tr>
<tr>
<td>Any age</td>
<td>Less than 1 year, death was not job-related</td>
<td>Member contributions, total interest earned, plus an amount matching the contributions and interest but limited to a maximum of $5,000</td>
</tr>
<tr>
<td><strong>Eligible to Retire</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 62 and older                        | 10 or more              | **Choice of:**
| Age 56 for FLC                      |                         | 1. Option 3 monthly benefit (50% of member’s retirement benefit) to the spouse or beneficiary (this choice is not available for multiple beneficiaries)  |
|                                     |                         | **Or**
|                                     |                         | 2. Member contributions, total interest earned, plus an amount equal to the member’s salary for the prior fiscal year (October 1 - September 30) |
Types of Service Available to Purchase

• **Military Service**
  o May purchase up to 4 years during first year or after 10 years of service

• **Withdrawn Service**

• **Previous Service**
  o With a city, county, town, public or quasi-public organization

• **Out-of-State Service**

• **TRS Support Personnel, Teacher Aide, Job Corps, and Teacher Corps**

*Information is provided in your ERS Handbook*
Becoming Vested

• A member is **vested** when he or she has **10 years** of creditable service.

• Being **vested** qualifies you for a monthly retirement check once you reach age **60 under Tier 1** or age **62 (56 FLC) under Tier 2**, even if you have not worked for a participating agency in a while, provided you have not withdrawn your retirement contributions when you left employment with a participating agency and your contributions have not been withdrawn.
When Can I Retire or Collect My Benefits?

Tier 1

After 25 years of creditable service, regardless of age

or

At age 60 with at least 10 years of creditable service
When Can I Retire or Collect My Benefits?

Tier 2

At age 62 (age 56 for FLC) with at least 10 years of creditable service
Disability Benefits

- Must have **10 years** of creditable service in the system
- Must be in service or on official leave of absence for no more than 2 years
- RSA Medical Board must determine the member to be permanently incapacitated to perform duties of job
- Disability benefits calculated identically to benefits for service retirement
How Will My Retirement Benefit Be Calculated?

Average Final Salary* \times \text{Years & Months of Service} \times \text{Benefit Factor} (.020125) \div 12 = \text{Maximum Monthly Benefit}

*The average of the highest THREE years of salary out of the last 10 years the member made contributions.

*Refer to your Member Handbook, page 22, for examples of maximum benefit amounts.

Tier 1
How Will My Retirement Benefit Be Calculated?

Average Final Salary* \( \times \) Years & Months of Service \( \times \) Benefit Factor (.0165) \( \div \) 12

\[ \text{Maximum Monthly Benefit} \]

*The average of the highest FIVE years of salary out of the last 10 years the member made contributions.

*Refer to your Member Handbook, page 18, for examples of maximum benefit amounts.

Tier 2
Retirement Benefit Choices

This choice is **only** made at time of retirement:

- Maximum Monthly Benefit
- Option 1
- Option 2
- Option 3

Under each of these plans, the member will receive a benefit for life.
Maximum Monthly Benefit

• Largest available monthly benefit

• Benefits **cease completely** at time of retiree’s death

• Designated beneficiary(ies) receive a one-time prorated benefit covering the days of the last month the retiree was living
Option I

• Monthly benefit *slightly less* than maximum monthly benefit
• Lifetime benefit for retiree on a monthly basis

If retiree dies prior to receiving annuity payments exceeding his or her account balance, the remaining balance will be paid to the designated beneficiary(ies).
Option II

100% Survivor Benefit

- Reduced monthly benefit over lifetime of retiree
- Benefits based on ages of retiree and beneficiary

Only 1 beneficiary may be designated to receive the same lifetime benefit after the retiree’s death.

No changes of beneficiary (to receive a monthly benefit) are allowed after retirement, unless beneficiary predeceases retiree or a divorce between retiree and beneficiary.
Option III

50% Survivor Benefit

- Reduced monthly benefit over lifetime of retiree
- Benefits based on ages of retiree and beneficiary

**Only 1 beneficiary** may be designated to receive one-half of the retiree’s benefit after the retiree’s death.

No changes of beneficiary (to receive a monthly benefit) are allowed after retirement, unless beneficiary predeceases retiree or a divorce between retiree and beneficiary.
Preparing for Retirement

• A **successful retirement** requires a lot of **planning** and **preparation**.

• You have time to plan, so get started!