



Early Retirement



EARLY RETIREMENT: Is it the right choice for you?



Deciding to retire can have you dreaming about tossing out your alarm clock once and for all, or it can keep you up at night worrying whether you'll have enough income when you stop working. This brochure will answer some of the questions you might have about taking an early retirement from PERSI.

Having a PERSI retirement puts you steps ahead of those who don't have a pension or who never set aside anything for retirement. But before you make the all-important decision to retire early, PERSI wants you to know what to expect, how to file for your PERSI retirement, and to understand the various retirement options available to you.

DETERMINING ELIGIBILITY

When you are eligible for retirement depends on your months of credited service, your age, and whether you are a general member, a public safety officer, a member with mixed general and public safety officer service, or an elected or appointed official. There are several types of retirement, each with its own eligibility requirements. The types of retirement are:

- Service Retirement
- Early Retirement, including the Rule of 80/90
- Disability Retirement

This brochure addresses Early Retirement only. If you want to learn more about the other types of retirement, visit the PERSI website at www.persi.idaho.gov and click on the Brochure link to find more materials.

EARLY RETIREMENT

You may retire early if:

- 1) You end employment after meeting the minimum age requirement, and
- 2) You have at least 60 months of credited service.

Note: Elected and appointed officials should contact PERSI regarding service requirements.

You may take early retirement without a benefit reduction if you meet the minimum age requirement and the requirements of the Rule of 80/90 as explained below.

Age Requirements for Early Retirement

1) General members

The minimum retirement age for general members is 55. You may retire the first day of the month following the month you turn 55 (e.g., if you turn 55 on May 15th, you may retire June 1st).

2) Public Safety Officers

The minimum retirement age for public safety officers (police/firefighters) is 50. You may retire the first day of the month following the month you turn 50. (e.g., if you turn 50 on May 15th, you may retire June 1st).

3) Members with Mixed Service

Members who have accrued service credit as both a general member and as a public safety officer have mixed service. The minimum retirement age for someone with mixed service will be between age 50 and 55.

EARLY RETIREMENT AGE REQUIREMENTS		
Member Type	Minimum Retirement Age	Rule of 80/90
General Member	55 You may retire the first day of the month following the month you turn 55. <i>For example: If you turn 55 on May 15th you may retire June 1st</i>	Rule of 90 For an unreduced benefit, your years of service plus your age must equal 90
Police/Firefighter	50 You may retire the first day of the month following the month you turn 50. <i>For example: If you turn 50 on March 22nd you may retire April 1st</i>	Rule of 80 For an unreduced benefit, your years of service plus your age must equal 80
Members with Mixed Service (General and Police Firefighter Service)	Between 50-55 The age depends on the ratio of your General Member and Police/Firefighter service	Rule of 80/90 For an unreduced benefit, your years of service plus your age must equal 80 or 90 depending on the ratio of your General Member and Police/Firefighter service

Early Retirement Reductions

If you retire before reaching service retirement age (65 for General Members/60 for Police and Firefighters) , or before reaching Rule of 80/90, your retirement benefit will be reduced. The percentage of the reduction is based on the smaller of:

- 1) The number of years you are away from service retirement age on the date of retirement, OR
- 2) How many points you are from reaching Rule of 80/90

When your retirement benefit is calculated, PERSI automatically figures in the reduction that is most advantageous to you. If you work beyond service retirement age or the Rule of 80/90, your retirement benefit continues to increase.

Rule of 80/90 Reduction Chart

The chart on the next page shows a partial reduction listing computed in whole years. The actual reduction calculation will be based on years and months. For example, if you were 1½ years away from the Rule of 80/90, your reduction would be 4.5%, not 3% or 6%.

RULE OF 80/90 REDUCTION CHART

FIRST 5 YEARS EARLY RETIREMENT

	Year 1	Year 2	Year 3	Year 4	Year 5
% Reduction	3.00%	6.00%	9.00%	12.00%	15.00%
% You Receive	97.00%	94.00%	91.00%	88.00%	85.00%

SECOND 5 YEARS EARLY RETIREMENT

	Year 6	Year 7	Year 8	Year 9	Year 10
% Reduction	20.75%	26.50%	32.25%	38.00%	43.75%
% You Receive	79.25%	73.50%	67.75%	62.00%	56.25%

Benefits will be calculated or estimated using the reduction percentage in state law at the time of your last contribution.

EXAMPLES OF RULE OF 80/90 AND EARLY RETIREMENT SITUATIONS

Rule of 90 Example

Mary is a general member with 30 years of service. She is 60 years old, and is therefore 5 years away from service retirement age. However, she may retire with an unreduced benefit because she has reached the Rule of 90.

$$\begin{array}{l} 30 \text{ years of service} \\ + \underline{60 \text{ years of age}} \\ = 90 \end{array}$$

Paul is a general member with 20 years of service. He is 60 years old

$$\begin{array}{l} 20 \text{ years of service} \\ + \underline{60 \text{ years of age}} \\ = 80 \text{ (or 10 points away from Rule of 90)} \end{array}$$

but Paul is only 5 years away from service retirement age; therefore, his reduction would be based on retiring 5 years early.

Kathy has 28 years of service credit and is age 60, which puts her 5 years away from service retirement age. But, she is only 2 points away from Rule of 90.

$$\begin{array}{l} 28 \text{ years of service} \\ + \underline{60 \text{ years of age}} \\ = 88 \text{ (or 2 points away from Rule of 90)} \end{array}$$

She could work one more year to reach the Rule of 90 (during that time, she would age by one year and gain one year of service to make up the 2 points.) Or she could retire now based on a two point reduction.

Rule of 80 Example

Jim is a police officer with 26 years on the force. He is 54 years old, and is therefore 6 years from service retirement age. However, he may retire with an unreduced benefit because he has reached the Rule of 80.

$$\begin{array}{l} 26 \text{ years of service} \\ + \underline{54 \text{ years of age}} \\ = 80 \end{array}$$

Determining Eligibility

When PERSI does the calculation to determine eligibility, all service is converted to months. That means the Rule numbers are multiplied by 12, with the Rule of 80 becoming 960 months and the Rule of 90 becoming 1080 months. Next the number of months of service is added to the member's age as it would be in months. If the sum of the months of service plus the months of age equals or exceeds the Rule months (either 960 or 1080), then the member is eligible to retire with an unreduced benefit under Rule of 80/90.

Calculation Example

Danny has 28 years of service as a police officer and he is age 50 years and 4 months.

PERSI will determine his service credit in months: 28 years x 12 months = 336 months.

PERSI will determine his age in months: 50 years x 12 months + 4 additional months for a total of 604 months. Danny's months of service will be added to his age in months:

$$\begin{array}{l} 336 \text{ months of service} \\ + \underline{604 \text{ months of age}} \\ = 940 \text{ months} \end{array}$$

Danny cannot retire with an unreduced benefit because his months of service and his age do not equal the required 960 months for Rule of 80. Although he is short by 20 months, Danny only needs to work an additional 10 months to become eligible. Why? Because both his service credit and age increase each month. So over each of the next 10 months, his age increases by one month and his service credit increases by one month, allowing him to reach the 20-month shortage in just 10 months.

How Your Benefit is Determined

A formula is used to determine your benefit amount. Three factors comprise the simple formula.

1. Your Average Monthly Salary (AMS) during a Base Period (currently 42 consecutive months)
2. A multiplier of 2% for general members and 2.3% for police and firefighter members
3. Your months of credited service

(AMS x Multiplier x Months of Service)

The example assumes the general member's AMS is \$2038, with 241 months of service credit. By dividing the annual amount by 12, it's easy to calculate the monthly benefit.

If this member were to retire early, the appropriate reduction would be applied to his/her benefit.

The formula used to calculate your Base Plan retirement benefits

Your Average Monthly Salary (AMS) During Base Period		<u>\$2038</u>
Multiplier	x	<u>2.00%</u>
		= <u>\$40.76</u>
Months of Credited Service	x	<u>241</u>
Annual Benefit		= <u>\$9823.16</u>
		÷ 12 months
Monthly Benefit	=	\$818.60

Base Plan Retirement Options

There are six PERSI retirement options from which to choose. It is important to understand each option so you can make an informed decision. *(The dollar amounts shown in the following examples are used to explain the options; they do not represent your actual benefit.)* All benefits are actuarially equivalent, so it makes no difference to PERSI which option you select. ***If you retire before service retirement age or the Rule of 80/90, your retirement benefit will be reduced based on how early you are retiring regardless of which retirement option you choose.***

A Retirement Options brochure is available on the PERSI website at www.persi.idaho.gov.

1) Regular Retirement Allowance

This option is based only on your life and terminates at your death. Your benefit is calculated based on your highest average monthly salary (gross salary) over a base period and your total months of service. A base period is the period of consecutive months during which you received your highest average monthly salary. The number of months used in a base period has changed over the years, improving the benefit formula. The base period is currently 42 months.

Example: You would receive a monthly benefit for your lifetime. If your monthly benefit is \$1000, you would receive that amount until your death, at which time retirement payments would end. A death benefit may be available to your beneficiary if payments made to you have not exceeded your total employee contributions plus interest.

2) Option 1 - 100% Contingent Annuitant (CA)

This retirement option provides a reduced* monthly benefit to you as long as you live, and then the same monthly benefit to your contingent annuitant after your death. The monthly benefit will be paid to your contingent annuitant for the remainder of his/her life. If your contingent annuitant dies before you, your benefit will “pop-up” (revert) to the higher regular retirement benefit amount.

Example: If your monthly benefit is \$1000, upon your death your contingent annuitant would receive \$1000 for the rest of his/her life.

3) Option 2 - 50% Contingent Annuitant (CA)

This retirement option also provides a reduced* monthly benefit to you as long as you live; but when you die, one-half (50%) of your monthly benefit will be paid to your contingent annuitant for the remainder of his/her life.

Example: If you were receiving \$1100 as your monthly benefit, upon your death your contingent annuitant would receive \$550 (one-half) for the rest of his/her life.

* Both CA options reduce the benefits by a percentage related to the age difference between the CA and the member.

In both CA options, if your contingent annuitant dies before you, your benefit will “pop-up” to the higher regular retirement benefit amount (more on page 7).

4) Option 3 - Social Security Adjustment

This retirement option is the most misunderstood. It is only available if you retire **before** Social Security Full Retirement Age (SSFRA), and **only for your lifetime**. This option does not provide for a contingent annuitant. In a nutshell, it provides an increased retirement benefit from PERSI until you reach SSFRA, and a reduced benefit thereafter. This option is intended to keep your retirement income at a constant level. (*Social Security benefits claimed before SSFRA are reduced by the Social Security Administration using factors specified in the law.*)

This option is sometimes called the “accelerated” option because you receive **more** money initially (an acceleration) from PERSI. When you reach SSFRA and begin receiving your Social Security benefit, the PERSI amount is reduced although your income remains *somewhat* constant. The **accelerated amount** is based on the number of years and months you are away from SSFRA when you retire under PERSI’s plan. The **reduction** is based on the Social Security quote you provide to PERSI when you apply for retirement, not by the actual amount you may receive.

The following examples assume a full Social Security quote indicating a monthly benefit of \$1200.

Example: PERSI benefit before you reach SSFRA = \$1541 (accelerated amount)
PERSI benefit after you reach SSFRA = \$341 (reduced amount)

[Social Security \$1200 + PERSI \$341 = \$1541; income remains fairly constant]

Option 3 is intended to provide a reasonably level income before and after SSFRA. *You won’t lose or gain money by selecting this option. It’s simply a matter of choosing how and when your benefit is paid out.*

5) Option 4a - 100 % Social Security Adjustment with Contingent Annuitant (CA)

This option is a modification of Option 3. It reduces your monthly PERSI benefit, but upon your death the same monthly payment you were receiving goes to your contingent annuitant for the rest of his/her life.

Example: PERSI benefit before you reach SSFRA = \$1341 (accelerated amount)
PERSI benefit after you reach SSFRA = \$141 (reduced amount)

[Social Security \$1200 + PERSI \$141 = \$1341; income remains fairly constant]

If you were to die before reaching SSFRA, your contingent annuitant would receive \$1341 until the date *you* would have reached SSFRA. On the date *you* would have reached SSFRA (had you not died), your contingent annuitant's benefit would be reduced to \$141 for the remainder of his/her life.

6) Option 4b - 50 % Social Security Adjustment with Contingent Annuitant (CA)

This retirement option is also a modification of Option 3. This choice reduces your monthly PERSI benefit, but upon your death one-half (50%) of your monthly benefit amount will be paid to your contingent annuitant for the remainder of his/her life.

Example: PERSI benefit before you reach SSFRA = \$1436 (accelerated amount)
PERSI benefit after you reach SSFRA = \$236 (reduced amount)

[Social Security \$1200 + PERSI \$236 = \$1436; income remains fairly constant]

If you were to die before reaching SSFRA, your contingent annuitant would receive \$718 (half of \$1436) until *you* would have reached SSFRA. On the date *you* would have reached SSFRA (had you not died), your contingent annuitant's benefit would be reduced to \$118 (half of \$236) for the rest of his/her life.

Pop up: A member who selects retirement Option 1, 2, 4a or 4b, which reduces his/her benefit to provide for a CA benefit after his/her death, is entitled to an increase if the CA predeceases them. The "pop up" increases the member's benefit to what he/she would have been receiving had he/she selected the Regular (non CA) retirement option. The new amount begins the first day of the month following the contingent annuitant's death.

Social Security Quote: Called a Personal Earnings & Benefit Estimate Statement (PEBES) should be based on the date you will be terminating PERSI employment, with no future earnings. The quote must include specific information: your name, at least a portion of your Social Security Number, and your SSFRA benefit amount. The Social Security statement mailed to you annually does not provide the information needed. *Your local Social Security office may hesitate to print out a PEBES for you, referring you to their online tools instead. The online documents you print from the SSA website do not contain member-specific information (e.g., DOB, SSN); therefore, they cannot be accepted by PERSI.*

Tips and Reminders

- When you decide to retire, PERSI suggests you make an appointment with a Retirement Specialist who can answer questions and calculate a benefit estimate for you. You will need: a copy of your Social Security card and birth certificate -- and your contingent annuitant's documents if you are selecting a CA option, an estimate of your Social Security benefit if you are selecting the Social Security retirement option, and a voided check from your financial institution to set up direct deposit. Generally, retirement benefits are paid on the first day of each calendar month. You will receive an award letter with your first payment that indicates your benefit amount and withholdings. Report any discrepancies to PERSI.
- Once you retire, report address changes to PERSI. This is especially important to ensure receipt of your year-end 1099 tax form or other important documents.
- You can complete your state and federal tax withholdings and designate a beneficiary during your appointment.
- Before your retirement can be completed, PERSI must receive notice from your employer that your employment status is changing using Form RS109 and/or on the next transmittal. You may want to remind your employer about this.
- If you terminate employment after the 15th of the month and before the beginning of the next month, you will receive one month of service credit.

Public Employee Retirement System of Idaho

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The information in this booklet is also available
on PERSI's website at www.persi.idaho.gov.

Information in this brochure is based on 2014 law; therefore, some information may not apply in specific cases. This publication is intended to explain PERSI law as simply and accurately as possible. If there is any discrepancy between this publication and the law, the provisions of the law will prevail. Members of the Firefighters' Retirement Fund, Idaho Falls City Police, and Boise City Police may have different benefits.



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