



Retirement Options



PERSI

Public Employee Retirement System of Idaho

UNDERSTANDING YOUR PERSI RETIREMENT OPTIONS

This booklet explains the various Base Plan (pension) retirement options available through PERSI. Some options are very easy to understand, and others are a bit more complicated. Before choosing a retirement option, you are encouraged to make an appointment with a PERSI Retirement Specialist. This will help ensure you make an informed selection based on your personal needs and goals. *Examples in this booklet are for the purpose of comparison, and may not reflect what your particular benefit might be.* The percentages and factors cited throughout this booklet are actuarially determined and set by rule. The terms *allowance* and *benefit* are used interchangeably throughout the booklet – both refer to retirement payments.

BASE PLAN RETIREMENT OPTIONS

There are six PERSI retirement options from which to choose. It is important you 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 eligibility for service retirement or under 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.

Example: If you were to retire 2 years before reaching service retirement eligibility and your benefit was reduced by 6 percent, you would receive a benefit equal to 94 percent of your calculated service retirement benefit. ***Actual calculations for reduced benefits are based on years and months, and will be computed using the reduction rate in state law at the time of your last Base Plan contribution.*** A Retirement Specialist will help you calculate your service retirement benefit.

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. This is usually near the end of your career, but may have occurred earlier. The number of months used in a base period has changed over the years, improving the benefit formula. If you made your last PERSI contribution after October 1, 1994, your base period is 42 months; if you made your last contribution before this, your base period will be either 48, 54, or 60 months. If you are unsure which base period applies to you, talk to a PERSI Retirement Specialist for clarification.

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 total payments 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 receive \$1000 as your monthly benefit, upon your death your contingent annuitant would receive \$500 (one-half) for the rest of his/her life.

If your contingent annuitant dies before you, your benefit will “pop-up” to the higher regular retirement benefit amount.

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.

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 SSA 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. (See page 3 for information about obtaining a Social Security quote.)

The following example assumes 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)

[SSA \$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 retirement option is a modification of Option 3. This choice 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. If your contingent annuitant dies before you, your benefit will “pop-up” to the higher Option 3 amount.

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

[SSA \$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. Then on the date when *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. If your contingent annuitant dies before you, your benefit will “pop-up” to the higher Option 3 amount.

Example: PERSI benefit before you reach SSFRA = \$1436 (accelerated amount)
PERSI benefit after you reach SSFRA = \$236 (reduced amount)
[SSA \$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. Then on the date when *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 a retirement option (1, 2, 4a or 4b) that 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.]

GETTING A SOCIAL SECURITY QUOTE

PERSI retirement options 3, 4a and 4b provide for an accelerated benefit until you reach Social Security Full Retirement Age (SSFRA). If you were born before 1938, your SSFRA is age 65; if you were born later, your SSFRA is between the ages of 65 and 67. (See chart on page 5.) PERSI cannot calculate these options unless you provide a copy of your Social Security quote from the Social Security Administration (SSA) stating what you will be paid when you reach SSFRA. **The quote should be based on the date you will be terminating PERSI employment. A Social Security quote for age 62 cannot be used in determining these options.** 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.** The quote is only an estimate, so the amount may be different from what you actually receive at SSFRA.

Example: If you plan to retire under PERSI’s plan at age 58, you need to obtain a quote from the SSA for an SSFRA that assumes you will not work past age 58. If your Social Security quote is based on the assumption you will continue working to SSFRA, it will reflect a higher benefit than what you will actually receive from the SSA at that age.

Remember, your Base Plan benefit will be reduced based on the quote you provide to PERSI when you retire. It is your responsibility to obtain a relatively accurate quote from the SSA because an inflated quote could have a significant effect on your monthly income when you reach SSFRA. **Once you begin receiving your PERSI benefit, you cannot come back with a modified Social Security quote to correct an inaccuracy.**

If you have already submitted a Social Security quote to PERSI which you believe is inflated because it included earnings past the date you intend to retire under PERSI’s plan, you can have PERSI recalculate an estimate. To recalculate an estimate, PERSI will need a new Social Security quote for you. Contact your local SSA office and request an adjusted quote.

OPTIONS SUMMARY

Payment Option	Advantages	Disadvantages
Regular Retirement	Provides the largest benefit. It may be the appropriate choice if you have no dependents, or if your spouse would have adequate income from investments and other sources after your death.	Monthly payments stop when you die. No Contingent Annuitant (CA) protection is provided.
Option 1 100% CA Allowance	Provides income to your CA after your death. If your CA dies first, your benefit will “pop up” to the higher regular retirement amount.	The monthly amount you receive is reduced because it must last two lifetimes. This reduced amount may not provide an adequate income while you both are living.
Option 2 50% CA Allowance	Provides income to your CA after your death. If your CA dies first, your benefit will “pop up” to the higher regular retirement amount.	The monthly amount you receive is reduced because it must last two lifetimes. This reduced amount may not provide an adequate income while you both are living.
Option 3 Social Security Adjustment	Provides the largest income until your SSFRA, and may be the appropriate choice if you think you may not live past your SSFRA.	At your SSFRA, your benefit will drop—often significantly. It could even drop to zero. Often, retirees forget the reduction will occur and are unprepared when it happens. Monthly payments stop when you die. No CA protection is provided.
Option 4a 100% CA/Social Security	Provides a larger benefit until your SSFRA. Also provides income to your CA after your death. If your CA dies first, your benefit will pop up to the higher Option 3 amount.	At your SSFRA your benefit will drop—often significantly. It could even drop to zero. Often, retirees forget the reduction will occur and are unprepared when it happens.
Option 4b 50% CA/Social Security	Provides a larger benefit until your SSFRA. Also provides income to your CA after your death. If your CA dies first, your benefit will “pop up” to the higher Option 3 amount.	At your SSFRA your benefit will drop—often significantly. It could even drop to zero. Often, retirees forget the reduction will occur and are unprepared when it happens.

SOCIAL SECURITY FULL RETIREMENT AGE

Social Security Full Retirement Age (SSFRA) has been mentioned several times in this brochure. The chart below will help you determine your SSFRA.

If your year of birth is:	Your SSFRA is:
Before 1937	65 years, 0 months
1938	65 years, 2 months
1939	65 years, 4 months
1940	65 years, 6 months
1941	65 years, 8 months
1942	65 years, 10 months
1943-1954	66 years, 0 months
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 on	67 years, 0 months

If you have questions about your SSFRA, contact the Social Security Administration (SSA) toll-free at 1-800-772-1213 or visit the SSA Web site at www.ssa.gov.

CHANGING YOUR RETIREMENT OPTION

After you retire, you can change your retirement option only under certain circumstances:

- You have a 5-day period beginning the day you receive your first retirement benefit payment to change your retirement option. To do this, ***you must notify PERSI in writing of your change within that 5-day period.***
- If you were not married at the time you retired and now want to select a CA option because of a marriage, and you are naming your spouse as your contingent annuitant. You must file for the change no later than one year from the date of your marriage; there will be a 90-day waiting period after PERSI receives the application before the change goes into effect.
- If you chose a CA option at retirement, named your then spouse as your contingent annuitant, and that spouse has since died. If you remarry, you can designate your new spouse as the contingent annuitant and choose a new retirement option. Only your new spouse can be named as the CA. Your application must be filed no later than one year from the date of the marriage. There is a 90-day waiting period after PERSI receives the application before the change goes into effect, at which time the benefit will be adjusted based on the “popped up” benefit and the age of the new CA after the 90-day waiting period.
- If you divorce, remarry, and your former spouse waives his/her contingent annuitant rights, you can name your new spouse as your CA. You must notify PERSI within one year of the date of the marriage, and there is a 90-day waiting period from the time PERSI receives the application before the new spouse becomes your CA.

Except for these circumstances, your choice is irrevocable.

HOW ANNUAL COST-OF-LIVING ADJUSTMENTS ARE APPLIED

Each March, PERSI applies a cost-of-living adjustment (COLA) to retiree benefits. The amount of the COLA is based on the recommendation of the PERSI Retirement Board, is controlled by statute, and is subject to approval by the Idaho Legislature. The PERSI COLA is tied to the Consumer Price Index for All Urban Consumers (CPI-U) for the 12 months ending in August of the current year, and may not exceed the CPI or 6 percent, whichever is less. The COLA is also tied to and can be limited by the growth of the retirement fund's actuarial assets.

Under PERSI's Social Security retirement options, the COLA is applied to the gross accelerated benefit being paid by PERSI.

Assuming Social Security and PERSI keep pace with COLAs over the years, retirees drawing benefits will receive the same amount at age 66 from the combined PERSI and SSA benefits as they received from PERSI prior to turning age 66. If the retiree takes his/her Social Security benefit before reaching SSFRA, or if Social Security and PERSI's COLAs do not keep pace with each other, the combined SSA and PERSI benefits may vary from the pre-age 66 PERSI benefit amount.

When you request an estimate from PERSI for the Social Security retirement options, the percent of reduction that will be applied to the accelerated benefit at SSFRA is provided on the estimate. When reviewing your estimate, it's important you understand that if you select an accelerated option your benefit will be reduced by the percentage shown on your estimate. (Example on page 7.)

IF YOUR SOCIAL SECURITY QUOTE IS GREATER THAN THE ACCELERATED BENEFIT

There are circumstances where a retiree selects a PERSI Social Security option and ends up with an accelerated benefit less than the Social Security quote for SSFRA. Since this would result in a negative PERSI benefit amount at SSFRA, a modified calculation is performed so the retiree still receives an accelerated monthly benefit, but would no longer receive any PERSI monthly benefit after SSFRA. Since actuarially all PERSI benefit options are equal, the modified calculation allows for the accelerated benefit with a zero benefit at SSFRA. In this case, the percentage for the PERSI benefit would show as zero (Ø) percent.

A BASE PLAN RETIREMENT ESTIMATE

On the following page is an example of a PERSI Base Plan Retirement Estimate. (It is just an example; your estimate will be based on information specific to you.) When you meet with a Retirement Specialist, you will be provided with an estimate based on information in your PERSI records. During your meeting, the Retirement Specialist will review the estimate with you and explain how the it was calculated. If you are considering a Social Security Option, please bring your Social Security estimate with you to your appointment so the Retirement Specialist can more accurately calculate your benefit estimate.

The factors used to calculate estimates are actuarially determined and set forth in PERSI rules. They depend on age at retirement and, in the case of Options 1,2, 4a and 4b, also consider the age of the contingent annuitant.

This is an example of a retirement estimate from PERSI. It is for illustrative purposes only.
 The amounts have been rounded for simplicity. The factors are actuarially determined and set forth in PERSI rules.*

BASE PLAN RETIREMENT ESTIMATE

May 21, 2009

EXAMPLE

Assumptions Used in Calculation

Date of Retirement	June 1, 2013
Date Last Employed	May 31, 2013
Your Date of Birth	May 1, 1953
Contingent Annuitant	
Contingent Annuitant Date of Birth	August 1952
Total Months of Service	229
General Member	229
Police/Fire	0
Average Monthly Salary	\$3,085.00
Assumed Annual Pay Increase	.00%
Amount of Social Security Quote	\$1,298.00

Type of Retirement: Early (age 60)

The amounts shown are ESTIMATES ONLY. Your actual retirement benefit may be different from this estimate. Final calculations cannot be made until you terminate employment and PERSI receives a report of final salary from your employer. Your retirement benefit is calculated based on the laws in effect at the time of your final contribution. In the event of a discrepancy between this estimate and your actual retirement benefit, benefits will be paid according to applicable statutes and rules.

At retirement, you may choose the Regular Allowance or one of the other options listed below. All amounts are estimated.	Factor*	Estimated Monthly Amount For Your Lifetime	Estimated Monthly Amount Thereafter To Named CA
Regular Retirement Allowance	.850	\$1000.00	NONE
Option 1 - 100% Contingent Annuitant (CA)	.835	\$ 835.00	\$835.00
Option 2 - 50% Contingent Annuitant (CA)	.915	\$ 915.00	\$457.50
Option 3 - SS Adjustment Allowance through May 31, 2019	.620	\$1805.00	NONE
28.10% thereafter		\$ 507.00	NONE
Option 4a - 100% CA SS Adjustment Allowance through May 31, 2019		\$1640.00	\$1640.00
20.90% thereafter		\$ 342.00	\$ 342.00
Option 4b - 50% CA SS Adjustment Allowance through May 31, 2019		\$1720.00	\$ 860.00
24.60% thereafter		\$ 422.00	\$ 211.00

Options 3, 4a, and 4b have been calculated only if you provided PERSI with a copy of your estimated Social Security Full Retirement Age benefit provided by the Social Security Administration.

A "pop up" provision in the Contingent Annuitant allowances converts an Option 1 or 2 allowance to a Regular allowance, or an Option 4a or 4b allowance to an Option 3 allowance, if your named CA dies first. This feature applies only if your final contribution from salary was on or after July 1, 1992 and your retirement is effective October 1, 1992 or later.

Regardless of the option selected at retirement, your beneficiary would be eligible to receive a lump sum death benefit if both you and your CA (if any) die and the total retirement payments to you and your CA have not exceeded your total employee contributions plus interest.

Members are urged to start thinking about their retirement 3-5 years before they actually plan to retire. PERSI offers a retirement workshop targeting members within that time frame to help them understand their PERSI benefits as well as Social Security, Medicare and health care costs, and other areas of interest such as long term care and estate planning. Workshops are held throughout the state during the year and require preregistration to attend. The schedule and registration information can be found on the PERSI Web site at www.persi.idaho.gov. A retirement checklist can also be found in the brochure section of the Web site.

**The Public Employee Retirement System of Idaho
has three offices to serve you.**

**607 North 8th Street
Boise, Idaho 83702**

**2005 Ironwood Pkwy, Suite 226
Coeur d'Alene, Idaho 83814**

**850 E Center, Suite D
Pocatello, Idaho 83201**

1-800-451-8228 or 208-334-3365

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

The information in this booklet is based on 2009 law. It is intended to explain PERSI retirement options as simply and accurately as possible. If there is any discrepancy between this publication and the law, the provisions of the law will prevail. [Firefighters' Retirement Fund](#), [Idaho Falls City Police](#), and [Boise City Police](#) may have different benefits.

