

SERVICE RETIREMENT



If you are nearing retirement age, you have many decisions to make. One decision may be when to retire. If it's soon, you may be wondering about your PERSI retirement options and whether you are financially prepared for retirement. This brochure provides general information to assist members who are planning to retire from PERSI at service retirement age.

Going from active employment to retirement isn't always an easy transition. Among the first considerations is deciding what kind of lifestyle you want in retirement...and then figuring out whether you can afford it. You'll want to tally your various income sources, including PERSI, Social Security, and any supplemental retirement savings accounts such as a 457, 401(k), 403(b) or individual retirement accounts (IRA). Next, factor in your expenses such as taxes, health insurance, mortgage, and other fixed expenses. Once you have subtracted your expenses from your income, you'll have a better idea what you can afford in retirement. If the amount doesn't match your expectations, you may need to adjust your goals. This could mean deferring or working in retirement, increasing your savings while you are still employed, or modifying your lifestyle once you do retire.

Knowledge can help you plan for your retirement. PERSI offers a free 2-3 hour-long retirement workshop now called "GO!" so you can learn more about your PERSI retirement options, and much more. More information about the retirement workshop is available on the PERSI website at <http://www.persi.idaho.gov/education/>. Registration is the only requirement for posted locations, or have your HR Department contact PERSI for a possible on-site presentation.

Other resources are available to PERSI members, including brochures, a member handbook, newsletters, and annual statements. By logging onto your personal account using the *mypersi* button on the PERSI website homepage ([myPERSI Login](#)), you can access your account balance, use financial calculators, and view your last five years of annual statements. If you have been contributing to a Choice 401(k) Plan account, you can also go to the Choice Plan site at Xerox HR Solutions (plan record keeper) for account information or to perform a transaction.

OVERVIEW

As a vested PERSI member, you will receive a lifetime monthly benefit from the Base Plan. The Base Plan is a defined contribution retirement plan. When you decide to retire, you will choose from one of several retirement options. It pays to understand the different options because once you make a selection, there are very few situations that would allow you to make a change.

RETIREMENT 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:

- Service Retirement
- Early Retirement
- Disability Retirement

This brochure addresses **Service 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.

WHAT IS SERVICE RETIREMENT?

Service retirement is the age at which you can retire with a full, unreduced benefit. Service retirement may be taken if you end employment on or after reaching service retirement age and have a minimum of 60 months of credited service. (Elected and appointment members should contact PERSI regarding service retirement requirements.)

SERVICE RETIREMENT AGE REQUIREMENTS

- Age 65 for General Members
- Age 60 for Police/Firefighters
- Between age 60-65 for members with mixed service (general and police/firefighter)

SERVICE CREDIT

Members earn a month of service credit for each month in which they work 15 days or more; a maximum of 12 months of service can be earned in any calendar year.

HOW YOUR BENEFIT IS CALCULATED

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.

COST-OF-LIVING ADJUSTMENT (COLA)

Idaho law currently requires an annual 1% COLA for retirees, effective March 1st each year. During your first year of retirement, the COLA is applied as a percentage of the full COLA depending on the percentage of the year your retirement was in effect.

Example: If your date of last contribution was August 1st and your retirement date was September 1st, you would be retired for half of the year (6 months: September - February); therefore, you would receive 50% (half) of the value of the full COLA.

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 (made while working) 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 5).

4) Option 3 - Social Security Adjustment

This retirement option is 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. More about the Social Security quote on page 5.

The following examples assume a 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: The Social Security quote (printout) needed by PERSI to calculate your benefit is called a **Personal Earnings & Benefit Estimate Statement (PEBES)**. It should be based on the date you will be terminating PERSI employment, with no future earnings. PERSI cannot calculate the Social Security options (3, 4a and 4b) unless you provide a copy of your Social Security quote from the Social Security Administration stating what you will be paid when you reach Social Security full retirement age. Be aware, 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.**

CONTINGENT ANNUITANT vs. BENEFICIARY

- A **contingent annuitant** is the person you name when retiring to receive a monthly benefit allowance upon your death.

If your contingent annuitant is your spouse, and you outlive him/her then later remarry, within one year of remarrying you may name your new spouse as your new contingent annuitant.

- A **beneficiary** is the person you name to receive a lump sum payment of your Base Plan balance plus interest at the time of your death. You will be asked to complete a beneficiary form when you retire. (It’s important to keep your designation current.) *If your beneficiary is your spouse and you are vested to a retirement benefit, your spouse may choose a lump sum payment or a lifetime annuity.*

When retiring, consider if it makes sense for your CA and beneficiary to be the same person.

CHANGING YOUR OPTION

The retirement option you selected at the time of retirement may not be changed except by written notice to PERSI no later than five (5) business days after receipt of your first retirement payment. You may change your option at any time before receiving your first benefit payment.

TAXES

At the time you retire, you can complete an IRS tax withholding form (W-4P). Unless you specify “no withholdings” on the form or choose a specific marital status and number of exemptions, federal income tax on your monthly retirement benefit will be withheld at the rate appropriate for a married person with three exemptions. This rate will also apply if no form is completed. IRS Publication 575 covers pension income tax liabilities. You may want to read this publication and review it with your tax advisor.

REQUESTING A RETIREMENT ESTIMATE

Before making a final decision about retiring, you may want to contact PERSI for a retirement estimate. (If you attend the “Retirement’s a Beach” workshop before retiring, an estimate will be prepared for and provided to you.) An example of a retirement estimate is on page 6.

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, 2011

E X A M P L E

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.

RS120

BENEFIT PAYMENTS

Generally, retirement benefits are paid on the first business day of each month. When you retire from active service, your benefit payment will be payable from the first day of the month following the month you ended employment. The first payment -- whether by check or direct deposit -- will generally be for two months.

Example: If you were to terminate employment June 17th and retire effective July 1st, your first benefit payment would cover the months of July and August and would be paid August 1st; future payments would be in one month increments.

Because the first payment covers two months, your withholdings will be for two months. This means more taxes than usual will be withheld because of the higher amount of the payment. If you elected to have taxes withheld as a flat dollar amount, your first payment, even if the payment is for two months, will have just one month of withholdings.

AWARD LETTER

An Award Letter will accompany your first benefit payment. The letter confirms your gross monthly retirement benefit and indicates your tax withholdings. If you have concerns about the information, contact PERSI.

Your second payment will include a remittance advice notice itemizing your withholdings. If you receive a check, your remittance advice information will appear on your pay stub. If you have direct deposit, you will just receive the remittance advice notice because your payment will be automatically deposited to your financial institution in accordance with your retirement instructions. After your initial payment, you would only receive a remittance advice notice if your benefit amount changes (e.g., cost-of-living adjustment).

DIRECT DEPOSIT

While PERSI transmits funds to financial institutions by the first business day of each month, your financial institution will determine when your direct deposit funds are available.

CHANGE OF ADDRESS

Once you retire, it's important to let PERSI know if you move, even if you have direct deposit. A change of address form is available on the PERSI website. It can be submitted electronically from the website or by printing it out and mailing it to PERSI.

WORKING AFTER RETIREMENT

If you retire at service retirement age with an unreduced benefit, you may work for any non-PERSI employer as long as you want and for as many hours as you want without affecting your retirement benefits.

DEFERRING RETIREMENT

You may decide not to retire at service retirement age (age 65 for general members/age 60 for police and firefighters). If you decide to continue working and you are still making PERSI contributions, you will earn additional months of service credit that will boost your retirement benefit.

The "plus-up" feature is something to consider if you decide to work past service retirement age. The plus-up amount is an increase percentage applied/added to your benefit to compensate you for

Although not required, PERSI does recommend members meet with a Retirement Specialist as they near retirement age. At your meeting, you'll be able to learn more about your retirement options and get answers to your questions. A Retirement Specialist can help you complete the paperwork necessary to retire. Appointments can be made by calling the PERSI Answer Center at the phone numbers listed below. The Answer Center staff can make appointments for any PERSI office.

You are also encouraged to take advantage of the free "Retirement's a Beach" workshop. You will learn about your PERSI benefits, Medicare, and many other areas of retirement. It is time well spent.

Public Employee Retirement System of Idaho

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

Headquarters

607 North 8th Street
Boise, Idaho 83702

Field Offices

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

1246 Yellowstone Avenue, Suite A-5
Pocatello, Idaho 83201

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.