

#13 Conversion to Service Retirement or Election of Extended Life Duty Disability

Conversion to Service Retirement or Election of Extended Life Duty Disability

If you retired on a duty disability retirement allowance on or after October 17, 1992, you will continue to receive your retirement allowance until the first of the month following your conversion age (conversion ages vary); at that time you will be required to either convert to a service retirement allowance, **or** to irrevocably elect to receive an extended life duty disability allowance.

If you convert to a service retirement allowance, your allowance will be calculated as indicated below, using the current (conversion age) final average salary for your position and your total years of creditable service (including your period of duty disability). You will also receive future CPI COLAs¹, and you will no longer be eligible to receive the \$40-per-month child allotment for your children under age 18 (if any).

Example: Service Retirement Calculation

Here is an example of how a service retirement allowance is calculated.

Assume that when you reach age 57, you will have 25 years of City service and your final average salary will be \$50,000.

Your estimated benefit is: $(25 \text{ Years of Creditable Service} \times 2.5\%^2) = 62.50\% \text{ Multiplier}$
 $62.50\% \times \$50,000$
Final Average Salary = \$31,250.00 Maximum Retirement

Allowance - $\$31,250.00 / 12 = \$2,604.17$ Monthly Service Retirement Allowance.

In this example, your monthly service retirement allowance is \$2,604.17.

Example: Service Retirement Calculation Using Imputed Service (qualifiers apply³)

Using the above example, assume that under the Global Pension Settlement, you are entitled to 1.5 years of imputed service. Here is how your imputed service would increase your service retirement allowance.

$(25 \text{ Years of Creditable Service} + 1.5 \text{ Years of Imputed Service}) = 26.5 \text{ Years}$
 $(26.5 \text{ Years} \times 2.5\%) = 66.25\% \text{ Multiplier}$
 $66.25\% \times \$50,000 \text{ Final Average Salary} = \$33,125.00 \text{ Maximum Retirement Allowance}$
 $\$33,125.00 / 12 = \$2,760.42 \text{ Monthly Service Retirement Allowance.}$

In this example, your monthly service retirement allowance is \$2,760.42 – a increase of \$156.25 per month provided by your imputed service.

If you elect to receive an extended life duty disability allowance, ERS will first calculate the allowance you would have received had you converted to a service retirement allowance (see calculation above). The minimum amount of your extended life duty disability allowance will be 57% for a Fireman, or 60% for a

¹ Cost of Living Allowance - If retired on duty disability before 1/1/1993 increase of 1.5% beginning on second anniversary of retirement. Increases to 2% beginning with 5th anniversary. If retired on duty disability after 1/1/1993 increases based on the lesser of 3% or the increase in the Consumer Price Index. The CPI increase will not be less than 2%.

² The service credit multiplier for Fire Fighters and Police Officers in active service as of 1/1/1995 is 2.5%. Police service prior to 1979 shall be credited at 2.25% up to and including 25 years of service. For Fire service prior to 3/1/1983 the multiplier is 2.25%.

³ Must have been in active service as of 1/1/2000. Police on duty disability retirement as of 1/1/2000 and active members of F&P Survivorship fund as of 1/1/2000 will qualify.

Policeman, of the current annual salary for your position. The maximum amount of your extended life duty disability benefit will be 75% of the current annual salary for your position.

You will receive future CPI COLAs, and you will continue to be eligible for \$40-per-month child allotment payments for your children under age 18 (if any). **Your benefit will no longer be adjusted based on contract settlements.**

Finally, 57% for a firefighter or 60% for a police officer of the current annual salary for your position will be tax-free and the balance up to 75% of the current annual salary for your position will be subject to federal and state tax withholding.

Example: Current Annual Salary for a Firefighter/Police Officer is \$50,000.00

In these examples your *extended life duty disability allowance* would be based on your **service retirement allowance** since it is more than 57% (fire) and more than 60% (police), but **less** than 75% of the current annual salary for your position.

Fire Fighter

75% x \$50,000.00 = \$37,500.00 /12 = \$3,125.00 monthly

Service Retirement Allowance	
\$31,250.00 /12 =	\$2,604.17 monthly
-\$28,500.00 (tax-free)/12 =	\$2,375.00 monthly
\$ 2,750.00 (taxable)/12 =	\$ 229.17 monthly

Police Officer

75% x \$50,000.00 = \$37,500.00 /12 = \$3,125.00 monthly

Service Retirement Allowance	
\$31,250.00 /12 =	\$2,604.17 monthly
-\$30,000.00 (tax-free)/12 =	\$2,500.00 monthly
\$ 1,250.00 (taxable)/12 =	\$ 104.17 monthly

If your service retirement allowance is **more than** 75% of the current annual salary, the maximum extended life duty disability allowance would be 75% of the current annual salary.

Example:

Assume that you will receive duty disability until you reach age 63, you will have 36 years of City service and your final average salary will be \$50,000. Your estimated benefit is: (36 Years of Creditable Service x 2.5%) = 90% Multiplier. 90% x \$50,000.00 = \$45,000.00 \$45,000.00/12 = \$3,750.00 Monthly Service Retirement Allowance. In this example, your monthly service retirement allowance is \$3,750.00; however, 75% of \$50,000.00 is \$37,500.00/12 = \$3,125.00 monthly allowance. Your *extended life duty disability allowance* would be \$3,125.00 because the maximum amount you can receive is 75% of the current annual salary for your position.

Fire Fighter

Retirement Allowance = \$45,000.00 /12 = \$3,750.00 monthly

75% x \$50,000.00 = \$37,500.00 /12 = \$3,125.00 (maximum)	
\$37,500.00 /12 =	\$3,125.00 monthly
-\$28,500.00 (tax-free)/12 =	\$2,375.00 monthly
\$ 9,000.00 (taxable)/12 =	\$ 750.00 monthly

Police Officer

Retirement Allowance = \$45,000.00 /12 = **\$3,750.00** monthly

75% x \$50,000.00 = **\$37,500.00** /12 = **\$3,125.00** (maximum)

\$37,500.00 /12 = **\$3,125.00** monthly

-\$30,000.00 (tax-free)/12 = **\$2,500.00** monthly

\$ 7,500.00 (taxable)/12 = \$ 625.00 monthly

8.6% F&P Dissolution Lump Sum Bonus

Fire Fighters and Police Officers are eligible for an additional lump sum bonus upon conversion to a service retirement or the election of the Extended Life Duty Disability if they meet the following criteria:

- ✓ Must have been active member in good standing of the F& P Survivorship fund as of 1/1/2000
- ✓ Must have been a member in active service as a Fire Fighter or Police Officer
- ✓ Elects Extended Life Duty Disability and were in active service or active member of F&P Survivorship Fund as of 1/1/2000.

Whether you convert to a service retirement allowance, or elect to receive an extended life duty disability allowance, duty disability death benefit coverage for your spouse will end at your conversion age. If you wish to provide death benefit coverage for anyone after your new allowance commences, you must elect a survivorship option. If you elect the extended life duty disability allowance, your survivor must be your spouse. If your designated survivor is your spouse, then your survivor may be eligible for future CPI COLAs. You will receive an estimate of both benefits at least six months prior to your conversion age.