

#11 Estimating Service Retirement Benefits for General City Members

How Much Will I Receive at Retirement?

Your ERS retirement benefits should be an integral part of your overall financial plan to provide for your needs at retirement. As part of this planning process, you should have a basic understanding of how your retirement benefits are determined. This brochure explains some basics.

The ERS website (www.cmers.com) contains a benefit estimator that enables members to estimate their benefits based on their assumptions of creditable service and final average salary. This calculator also estimates other benefits potentially due members if they enrolled prior to January 1, 2000. Lastly, the website provides estimated benefits using survivorship options. We encourage you to use this website to estimate your benefit. If you cannot access this tool, this brochure has been designed to help you estimate your service retirement benefit if you are a general city employee but not an elected official. In the event you have served as an elected official, please contact the ERS for further assistance.

You should consider asking the ERS for an estimate of your benefits as you approach your retirement eligibility. These estimates usually take several weeks to complete. ERS will not project salary increases in estimating members' benefits. As a result, estimates prepared a year or more from the projected retirement date begin to suffer from a lack of accuracy. If you are more than a year from retirement, you can best estimate your service retirement benefits yourself using this guide or the ERS website. However, we strongly recommend that you obtain a formal estimate from ERS six months prior to your planned retirement date.

Checklist

Basic information you need to know to estimate your retirement benefit.

- The amount of time you believe you will have worked at the time you want to retire.
- Your projection of the average of the three highest years of pensionable earnings in your career.

For more information on how your benefits are calculated, please refer to your **Member Handbook**.

The Calculation:

Pension calculations and rules governing eligibility are more fully explained in the **ERS Member Handbook**. However, the basic calculation for your service retirement requires two pieces of information, your creditable service and your final average salary. Your years of creditable service are multiplied by a percentage to obtain your multiplier. This multiplier is applied to your final average salary to arrive at your maximum annual pension allowance.

$\text{Years of Creditable Service} \times 2\% = \text{Multiplier (Limited to 70\%)}$ $\text{Multiplier} \times \text{Final Average Salary} = \text{Maximum Annual Benefit}$
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Step One – Project Your Creditable Service

Generally, a full time employee earns one full year of creditable service for each year worked. Creditable service is granted for straight time worked as well as most paid absences including but not limited to vacations, holidays, sickness and injury. Generally, employees do **not** earn additional creditable service when working overtime. The most creditable service a member can earn in one calendar year is one year of creditable service.

Employees working less than full time earn proportionately less creditable service.

Ten-month employees of the Milwaukee Public Schools (MPS) earn a full year of creditable service if they work (or have paid absences) 1,600 or more hours in the year. MPS employees working less than 1,600 hours earn proportionately less.

Step Two – Project Your Final Average Salary

Your final average salary is comprised of pensionable earnings. Pensionable earnings are essentially comprised of the regular annual base salary. It **excludes** overtime earnings.

If you are retiring as a general city employee, your final average salary is the sum of the highest three years of pensionable earnings divided by three.

Step Three – Complete the Worksheet

Complete the worksheet at the far right as described. To help guide you, a sample calculation has been done alongside yours for Will Relax, a year round employee of Milwaukee Public Schools.

Step-by-Step Instructions

Line① Enter the amount of creditable service you project you will have at the time of your retirement. Will Relax, our sample member, has worked 22 years with no breaks in service. In ten years and three months, he will reach age 55. Since he will have thirty years of service at age 55, he is eligible for a service retirement. He projects having 32 years three months service as a general city employee to estimate his benefit age at 55.

Line② Multiply Line① by .02 to project your multiplier. **Caution:** Do not record more than 0.70. The multiplier for general city members may not exceed 70%.

Line③ Enter what you project will be your final average salary at retirement (the sum of the highest three years of your pensionable earnings divided by three). Will Relax is currently at the top step of his pay grade and earning about \$32,000 annually. He chooses to assume he will receive contractual raises of 2% per year for the next ten years. He projects his future salary to his planned retirement date under this assumption, and averages his last three years projecting a final average salary of \$38,200.

Line④ Multiply Line③ by Line② to project your maximum annual benefit. You may choose a reduced benefit with a survivorship option where upon your death, benefits continue to your survivor. Contact ERS for more information.

Line⑤ Divide Line④ by 12 to project your maximum monthly allowance. This is the amount you project you will receive monthly at retirement. Will Relax, our sample employee, realizes his projection of \$2,053 is in future dollars as he projected contractual raises of 2% each year for the next ten years when estimating his final average salary. If your projection likewise assumed future raises, you should realize this too.

Refer to the **Member Handbook** for more information concerning your retirement benefits, such as alternative retirement options that may be available to you, and Cost of Living Adjustments (COLA) that may apply to your benefit. If you were enrolled in ERS prior to January 1, 2000, you may also be eligible for a 5% GPS Lump Sum Bonus at retirement and additional service credit not covered in this brochure. Contact ERS for more information.

Estimation Worksheet

	Your Projection	Sample
① Projected years of creditable service		32.25
② Multiply ① by .02 to project your multiplier. Do not record more than 0.70 (70% Limit)		0.645
③ Projected final average salary		\$38,200
④ Multiply ② by ③ This is your projected maximum annual benefit		\$24,639
⑤ Divide ④ by 12 This is your projected maximum monthly allowance		\$2,053

This brochure has been designed to educate ERS general city members on how their regular service retirement benefits are determined. These are benefits available at age 60 or at age 55 with 30 years of qualifying time (creditable service). This provides members with the knowledge to project future benefits they may anticipate from ERS as they plan for their retirement. The actual benefit you receive from ERS will be determined pursuant to the provisions of Chapter 36 of the Milwaukee City Charter, the Rules and Regulations of the Annuity and Pension Board, and applicable legal opinions.

Members are encouraged to use the web-based estimator available at www.cmers.com. This tool provides for a more accurate estimate and includes information on other benefits you may be eligible for under the Global Pension Settlement not discussed here. In addition, the web-based estimator enables users to project benefits for other retirement types and survivorship options that are not covered here.