

9 GPS Benefits – 5% Lump Sum Bonus and COLAs

The Global Pension Settlement

The Global Pension Settlement (GPS) is a settlement between the City, City agencies, and employee and retiree organizations. The GPS became effective January 19, 2001 and provides a number of new benefits or benefit improvements to eligible ERS participants.

What benefits are affected by the GPS?

There are 18 different benefits impacted by the GPS. This brochure highlights the GPS 5% Lump Sum Bonus, as well as various COLA provisions for members who were actively employed on January 1, 2000; for more detailed information on other benefits, please refer to your ERS Member Handbook or the ERS Web site at www.cmers.com under “How GPS Affects You.”

What are the eligibility requirements for receiving GPS benefits?

In general, if you were an active ERS member as of January 1, 2000 (or if you enrolled after January 1, 2000 and before June 28, 2000) who consented to the settlement, you would be eligible for certain GPS benefits. If you enrolled June 28, 2000 or later, you do not need to consent in order to receive certain GPS benefits. No ERS participant will receive all 18 benefits.

What if I enrolled in ERS before June 28, 2000, but I haven't consented to the settlement?

In order to receive GPS benefits, you must consent *in writing* to the settlement. If you haven't done so and wish to consent, you can request a Global Pension Settlement Consent Form by calling the ERS office at (414) 286-3557 or (800) 815-8418. You can also print a consent form by accessing www.cmers.com, then clicking on “How GPS Affects You,” and then “Consent Information.”

GPS 5% Lump Sum Bonus

The GPS 5% Lump Sum Bonus is a one-time bonus that is payable to eligible members at retirement.

What are the eligibility requirements for the 5% Lump Sum Bonus?

The 5% Lump Sum Bonus is available to General City employees, Firefighters and Police Officers who were active ERS members as of January 1, 2000 and who consented to the settlement. Members who joined ERS after January 1, 2000 are not eligible for this benefit.

When do I receive the Lump Sum Bonus?

If you are eligible, this one-time benefit becomes payable when you begin a service, early, deferred or disability retirement. Normally, this bonus is paid about forty-five (45) days after you receive your first monthly benefit.

What are my payment options?

Upon retirement, you can elect to receive your 5% Lump Sum Bonus in one of the following ways:

- As a cash payment (less a mandatory 20% federal income tax withholding);

- As a direct rollover to an eligible tax-deferred investment vehicle (for example, a 457 plan, traditional IRA or other qualified plan); or
- A combination of the two.

If you are eligible for this bonus, you will receive a Lump Sum Benefits Statement and Payment Election Form during your retirement appointment. You will need to make your payment election within 30 days after your retirement date.

How is my bonus amount calculated?

Your bonus is calculated through the following formula:

$$5\% \times \text{Maximum Annual Retirement Allowance} \times \text{Age Factor}$$

“Maximum Annual Retirement Allowance” is your initial annual retirement allowance (reduced for early retirement, if applicable, but not for any survivorship option you may have selected). The “age factor” is an actuarial value that is based on your attained age at retirement, as shown in the ERS Member Handbook, page 26.

Your Pension Specialist can provide the actual value at your retirement appointment; see *Brochure #1– The Retirement Process for City of Milwaukee Employees* – for more information.

For example, let’s assume you retire at age 62 and your maximum monthly pension benefit is \$1,700 (for a maximum retirement allowance of \$20,400 annually). The factor for an attained age of 62 is 9.5166, so your benefit calculation would look like this:

$$5\% \times \$20,400 \times 9.5166 = \$9,706.93$$

Your estimated 5% Lump Sum Bonus would be \$9,706.93.

Cost of Living Adjustments (COLAs)

A cost of living adjustment is a periodic increase to your monthly retirement allowance. The GPS provides for different COLAs to different groups of employees.

You may be eligible for a GPS COLA benefit if you:

- Were an active ERS member as of January 1, 2000 and consented to the settlement;
- Enrolled in ERS from January 1, 2000 through June 28, 2000 and consented to the settlement; or
- Enrolled in ERS after June 28, 2000.

When would I receive the COLA?

If you retire as a General City employee, COLA increases begin with the payment after the **second** anniversary date of your retirement and continue on each retirement anniversary after that.

If you retire as a Firefighter or Police Officer, COLA increases begin with the payment after the **first** anniversary date of your retirement and continue on each retirement anniversary after that.

Note: Regardless of when your COLAs begin, remember that the first month of a new COLA will be prorated. The previous COLA amount will be applied to the days prior to your retirement anniversary date; the new COLA amount will apply to the days remaining after your retirement anniversary date.

What is the amount of each COLA?

If you retire as a General City employee, the COLA increase on your second, third and fourth retirement anniversaries is 1.5%. On the fifth anniversary of your retirement, the COLA increases to 2% and will continue on each retirement anniversary after that.

Here's an example of what your increases might look like if your initial retirement allowance is \$1,500 per month:

Retirement Anniversary Date	Annual COLA	New Monthly Benefit
Year 1	N/A	\$1,500.00
Year 2	\$22.20 (1.5% of \$1,500)	\$1,522.50
Year 3	\$22.84 (1.5% of \$1,522.50)	\$1,545.34
Year 4	\$23.18 (1.5% of \$1,545.34)	\$1,568.52
Year 5	\$31.37 (2% of \$1,568.52)	\$1,599.89
Year 6	\$32.00 (2% of \$1,599.89)	\$1,631.89

If you retire as a Firefighter or Police Officer, the COLA increase on each retirement anniversary is the lesser of 3% or the change in the Consumer Price Index (CPI) as of the prior December. In most cases, the annual increase will be *at least* 2%, regardless of how the CPI changes.

Here's an example of what your increases might look like if your initial retirement allowance is \$1,500 per month (and assuming – *for illustration purposes only* – that the CPI increases 2% or less each year).

Retirement Anniversary Date	Annual COLA	New Monthly Benefit
Year 1	\$30.00 (2% of \$1,500)	\$1,530.00
Year 2	\$30.60 (2% of \$1,530)	\$1,560.60
Year 3	\$31.21 (2% of \$1,560.60)	\$1,591.81
Year 4	\$31.84 (2% of \$1,591.81)	\$1,623.65
Year 5	\$32.47 (2% of \$1,623.65)	\$1,656.12

Can I still receive COLAs if I didn't consent to the Global Pension Settlement?

If you were an ERS member prior to June 28, 2000 but did not consent to the GPS, COLA provisions are limited and may not apply at all. Contact ERS for details concerning your particular case.