

#10 Estimating Service Retirement Benefits for Police Officers and Firefighters

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.

$\begin{aligned} \text{Years of Creditable Service} \times 2.5\% &= \text{Multiplier (may be limited)} \\ \text{Multiplier} \times \text{Final Average Salary} &= \text{Maximum Annual Benefit} \end{aligned}$

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. 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.

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, but includes variable shift assignment pay, certification pay and longevity in rank pay.

If you are retiring as a police officer or fire fighter, your final average salary is your highest year of pensionable earnings.

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 Ivana Gulfe, a police officer.

Step-by-Step Instructions

Line① Enter the amount of creditable service you project you will have at the time of your retirement. Ivana Gulfe, our sample member, has worked 19 years with no breaks in service. As a consenter in the global pension settlement, in six years she will have the minimum twenty-five years of service qualifying her for a service retirement as a police officer. She wishes to figure out what benefits she would be eligible for at that time and records twenty-five years.

Line② Multiply Line① by .025 to project your multiplier. **Caution:** The multiplier is limited to 90% for firefighters hired on or after March 1, 1989 and police officers hired on or after July 1, 1989.

Line③ Enter what you project will be your final average salary at retirement (your highest year of pensionable earnings). Ivana Gulfe is currently at the top step of her pay grade and earning about \$50,000 (excluding overtime) annually. She chooses to assume she will receive contractual raises of 3% per year for the next six years. She projects her future salary to her planned retirement date under this assumption, projecting a final average salary of \$59,700 in her last year of employment.

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. Ivana Gulfe, our sample employee, realizes her projection of \$3,109 is in future dollars as she projected contractual raises of 3% each year for the next six years when estimating her final average salary. If your projection likewise assumed future raises, you should realize this too.

Refer to your **member handbook** for more information concerning your retirement benefits, such as descriptions of alternate retirement options that may be available to you and COLA adjustments that may apply to your benefits. **If you enrolled prior to January 1, 2000, you may also be eligible for certain lump sum bonuses 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		25.00
② Multiply ① by .025 to project your multiplier. Caution, may be subject to a 90% (.90) limit		0.625
③ Projected final average salary		\$59,700
④ Multiply ② by ③ This is your projected maximum annual benefit		\$37,312
⑤ Divide ④ by 12 This is your projected maximum monthly allowance		\$3,109

This brochure has been designed to educate ERS police officers and firefighters on how their regular service retirement benefits are determined. These are benefits available at age 57 or sooner as explained in the **member handbook**. 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, including additional service credit. In addition, the web-based estimator enables users to project benefits for other retirement types and survivorship options that are not covered here.

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 police officer or fire fighter.

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 your highest year of pensionable earnings in your career.

For more information on how your benefits are calculated, please refer to your **member handbook**.