

City of Milwaukee Employees' Retirement System

Pre-Retirement Planning

Protective Services

MPA + MPSO

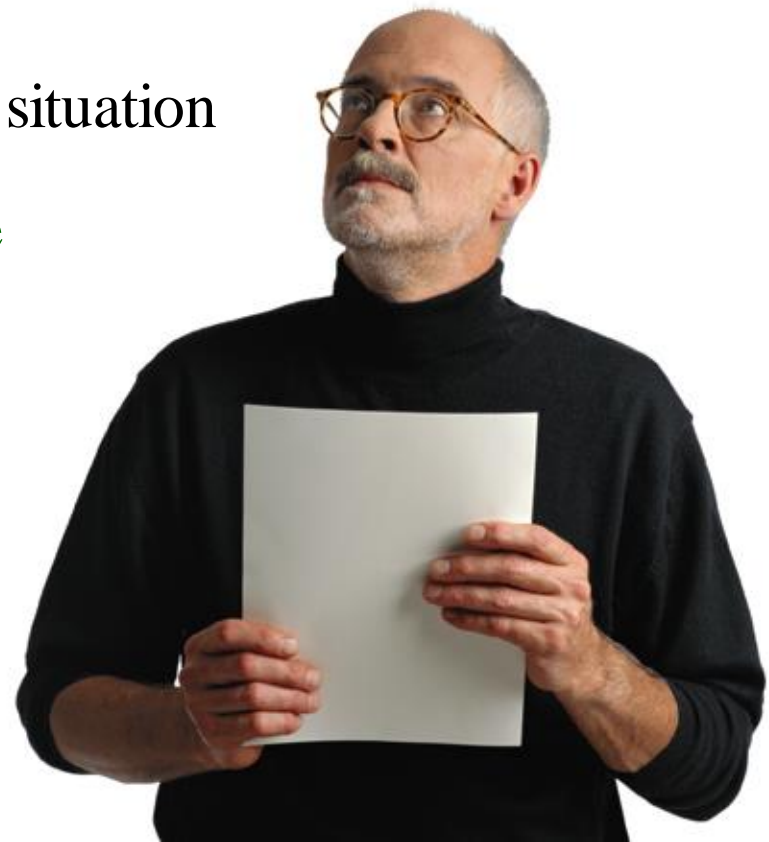


Getting the most from retirement

Plan *before* your retirement
begins

- Carefully review your financial situation
 - Seek qualified financial advice
 - Include estate planning
 - Use the “Ready or Not”

Retirement Planning Guide



Are you ready to retire?

Your financial situation

- Determine how much of your current income you'll need during retirement
- Calculate your current assets, income and expenses
- Estimate your retirement income and expenses
 - Income: pension and Social Security benefits, salary (if you will work), investment income, savings, etc.
 - Expenses: housing, food, transportation, utilities, health care, entertainment, etc.
 - Use Worksheets in “Ready or Not” pp. 30-34

Are you ready to retire?

Your financial situation (continued)

- Expenses that may *decrease* during retirement
 - Mortgage payments and other long-term debts
 - Commuting costs
 - Child care and education expenses
 - Taxes (if you don't work, or earn less in a new job)

Are you ready to retire?

Your financial situation (continued)

- Expenses that may *increase* during retirement
 - Home maintenance or new housing
 - Travel or other leisure activities
 - Health care expenses
 - Don't forget about inflation!

What Will \$100 be Worth in 10 - 20 Years?

This post estimates the future value of a dollar for the next 1-50 years, for inflation rates ranging from 1% to 10%. The chart works not just for \$100, but for *any* amount -- \$1, \$1,000, \$10,000, \$100,000.... And, it works for 5, 10, 20, 30 ... anything up to 50 years.

Inflation is one of the biggest risks that current and future retirees face. Given today's life expectancies, even relatively low rates of inflation can devastate the purchasing power of a pension or uninvested cash during your retirement years. How great could the impact be? See below.



The Impact of Inflation on the Future Purchasing Power of a Dollar

Over the last 100 years, U.S. Inflation has averaged about 3%/year. As you can see from the graph. Even at these apparently benign rates (the blue line), within 20 years the purchasing power of a fixed pension will be almost cut in half. Twenty years is not a long retirement these days; most advisors recommend that you plan for thirty. Some retirements last even longer.

Inflation hurts those on fixed incomes (pensions & annuities) and those holding cash (or near cash) most.

Are you ready to retire?

Your family

- How does your family feel about your retiring?
- Is your spouse or significant other also considering retirement?
- Are you ready to see more of your spouse and other family members?
- Will your family roles change after you retire?
- Do you still have family financial responsibilities (such as college tuition for your children)?

Are you ready to retire?

Your lifestyle

- Your days will have less structure — how will that make you feel?
- Do you now depend on work for social interaction?
- Will your spouse/significant other and friends still be working?
- How will you spend your time?
- Interested in a new hobby or activity?
 - Try it *before* you retire
- Thinking of changing careers?
 - Find out what training and skills you will need
 - Go back to school
 - ◆ Finish degree or earn another one
 - Consider job-sharing or part-time work

Are you ready to retire?

Your health

Good health can help you get the most out of your retirement years.

- Do you eat a balanced diet and exercise regularly?
- Do you smoke? If you do, have you considered the benefits of quitting?
- Do you get regular check-ups and follow your doctors' instructions?
- How well do you handle stress?

Are you ready to retire?

Where you will live

- Will your home accommodate your needs as you age?
 - Are you considering a smaller home or condo?
- If moving to a new location, have you considered the climate, emotional aspects and financial impact of the move?
 - Check out cost of living, housing, social opportunities before making the move

Getting the most from retirement

Eight steps to happier living

- Face reality; accept changes
- Establish warm relationships
- Develop outside interests
- Seek new adventures
- Guard your health
- Take pride in yourself and appearance
- Learn to relax
- Look ahead with optimism



Getting the most from retirement

- Use the ERS Website – www.cmers.com
- **Member Self Service (MSS)**- From the ERS home page, active members are able to set up a user account by registering with our website. To register, you will need to select a user identification and password, know your email address, social security number, first and last name as it appears on your paycheck, and date of birth. The entry of your private information is protected by VeriSign security.
- Step-by-step instructions can be accessed by clicking on the green Member Self Service box on the home page of our website
- Once registered, members can sign in using their secret user identification and password.
- MSS features include:
 - Viewing your personal profile,
 - Viewing information about your member account (contributions and service credit)
 - Requesting an estimate from the ERS
 - Calculating and printing a pension benefit estimate using information ERS has on file, or using information you enter. NOTE: You will still need to contact ERS before you retire for an estimate from us. These MSS estimates are not saved in your record.

Getting the most from retirement

Additional information resources

- Social Security Administration (*eligibility, estimates and application for benefits*)-www.socialsecurity.gov
- Milwaukee County Department on Aging (*local resources*) (414)289-6874 -www.county.milwaukee.gov
- Administration on Aging -www.aoa.gov
- See the inside back cover of Retirement Planning Guide

ERS benefits

Service retirement Eligibility

- Police Sworn Personnel
 - Age 57
 - 25 years of creditable service (at any age)
 - ◆ Police or fire protective service
 - ◆ Rules changed for people hired as Police after 2015

How monthly pension benefits are calculated

Service Retirement Benefit Formula

$(\text{Years of Creditable Service} \times 2.5\%) = \text{Multiplier}$

$(\text{Multiplier} \times \text{Final Average Salary}) = \text{Annual Pension Benefit}$

$\text{Annual Pension Benefit} / 12 = \text{Monthly Pension Benefit}$

Retiring from ERS

Your payment options

- Maximum Allowance: No Survivorship
- Survivorship Options: Provide reduced lifetime benefit for you; guarantee continuing benefits to your named survivor upon your death
 - Option 2: 100% Survivorship
 - Option 3: 50% Survivorship
 - Option 4: Variable Survivorship
- For survivorship options, the amount of your reduction will be determined by your age at retirement, the age and relationship of your named survivor, and the option you select
 - The actuarial age used for the calculation is determined by rounding the age to the nearest full year. For example, an age of 49 years, 6 months and 0 days uses age 49 years, while an age of 49 years, 6 months and 1 day uses age 50 years.

Estimating your monthly benefit

Police Officer

Assumptions:

Age 44

26 Years of Service

Imputed Service Credit of 1.5 years

F & P Fund Dissolution Bonus of 2.0 years

Final Average Salary* (FAS): \$64,000

*Includes Special Pays (Longevity \$300-\$900
\$1,000, Certification \$500)

26 Years of Service x 2.5% = **65%**

1.5 F&P Imputed SC = 3.75%

2 Years Imputed SC = 5%

Total SC Multiplier = 73.75%

73.75% x \$64,000 FAS = **\$47,200**

\$47,200 / 12 = \$3,933.33 Gross Monthly Pension Benefit

Subject to Federal and State taxes

Retiring from the ERS

Example: How Payment Option Affects Monthly Benefit

Assumptions: Retiree - Age 44

Spouse - Age 41

Monthly Pension Benefit: \$3,933.33

Payment Option	Retiree	Surviving Spouse
Max. Ret. Allowance	\$3,933.33	\$0
100% Survivorship	\$3,726.44	\$3,726.44
50% Survivorship	\$3,827.09	\$1,913.55
75% Survivorship	\$3,776.10	\$2,832.07

Survivorship factors revised 01/02/2018

Retiring from ERS

Protective Survivorship Options (PSOs)

- Guarantees survivor income if you continue working beyond Service Retirement Age, and die before retirement
- Same options available as for survivorship options
- If married - automatic election of 100% survivorship to spouse after 25 years of protective service
 - If you want to name a non-spouse survivor, you must file paperwork with ERS before your deadline date (during the 6 months prior to your retirement eligibility)
- Age 57 if less than 25 years protective service

Retiring from ERS

Protective Survivorship Options (PSOs)

- If you are not married at the time of eligibility, you can name a non-spouse survivor. If you get married before you retire, you can re-select an option within 6 months of the date of marriage

Retiring from ERS

How a PSO can protect Your Spouse

Assumptions: Employee Age 49
Spouse age 45
25 Years of Service
Final Average Salary (FAS): \$64,000
Account Balance: \$90,000
Employee Dies At Age 49

Spouse Benefit with PSO

Option 2: \$3,511.96/mo.
Option 3: \$1,825.15/mo.
Option 4 (75%): \$2,684.85/mo.

Spouse Benefit without PSO

Ordinary Death Benefit:
\$876.12/month
When converted from \$122,000
lump sum to life annuity
(1/2 FAS \$32,000 + Acct Bal
\$90,000 = \$122,000)

Global Pension Settlement Benefits



- Active employee on 1/1/2000 – Consented to GPS
- Police: Service Retirement eligibility – 25 years protective service credit, 1.5 years imputed service credit, 2.5% imputed service credit, 5% lump sum bonus

Example: Assumptions: Age 49 (Factor: 11.0365)

Max. Ret. Allowance: \$45,600

$5\% \times \$45,600 \times 11.0365 = \$25,163.22$ Lump Sum Bonus

Note: The lump-sum bonus is always calculated on the maximum allowance amount

Global Pension Settlement Benefits*



Military Service Credit

- Started out as GPS – Now part of collective bargaining
- Extra service credit for pre-ERS active military service
 - ◆ 1 year for every 3 years or portion thereof
 - Maximum of 3 years of additional service credit
 - Must have at least 90 consecutive days of active service
 - Must be an honorable discharge
 - Cannot be used if it takes you over the maximum service credit allowed
 - Police enrolled after 7/1/1989 – 90%
 - Cannot be used for eligibility
- Provide a copy of your DD-214 at the time of estimate request

* *Consent required for GPS benefits*

Global Pension Settlement Benefits*



- COLAs (Cost of Living Adjustments)

global pension settlement

- Annual Increase of at least 2.0% or the CPI up to 3.0% on your retirement anniversary

Example: \$3,933.33 Monthly Pension Benefit

Retirement Anniversary Date	Annual COLA	New Monthly Benefit
Year 1	2.0% of \$3,933.33 = \$78.67	\$4,012.00
Year 2	2.0% of \$4,012.00 = \$80.25	\$4,092.24
Year 3	2.0% of \$4,092.24 = \$81.85	\$4,174.09
Year 4	2.0% of \$4,174.09 = \$83.49	\$4,257.58
Year 5	2.0% of \$4,257.58 = \$85.16	\$4,342.74
Year 6	2.0% of \$4,342.74 = \$86.86	\$4,429.60

Example assumes CPI increases 2% or less each year.

Contact ERS

The ERS is here to serve you. Our staff includes specialists in each type of benefit provided to our members.

- 789 N Water Street, Ste 300, Milwaukee WI 53202 - Business Hours are 8:00 a.m. through 4:45 p.m. Monday through Friday (including the lunch hour) (414) 286-3557
- Through the Internet
 - ◆ www.cmers.com
 - Useful links and administrative forms that you can print from your computer
 - Pension benefit calculator
 - Help you estimate your retirement allowance
 - ◆ “Ask Norm” feature - Submit questions via e-mail about benefits and issues - norm@cmers.com

Contact ERS

Applying for Retirement

- YOU MUST APPLY (AND COMPLETE PAPERWORK) AT THE ERS TO START YOUR RETIREMENT BENEFIT! Informing your department/employer is NOT sufficient!
- Request *Pension Estimate*
 - Call ERS 6 months prior to planned retirement date – Phone: 286-3557
 - Or, if you prefer, you can request an estimate via Member Self Service on cmers.com
 - Provide requested information about you and your pension survivor
 - You will receive an estimate in about 2-4 weeks
- Schedule *Retirement Counseling Appointment*
 - Must take place 30-90 days before retirement date
 - Bring required documents for verification: Certified Birth Certs, Marriage Lic, SS Cards
 - Bring completed ACH Direct Deposit Authorization Form (ERS will provide this).

