

City of Milwaukee Employees' Retirement System



General City Employees

Pre-Retirement Planning Seminar



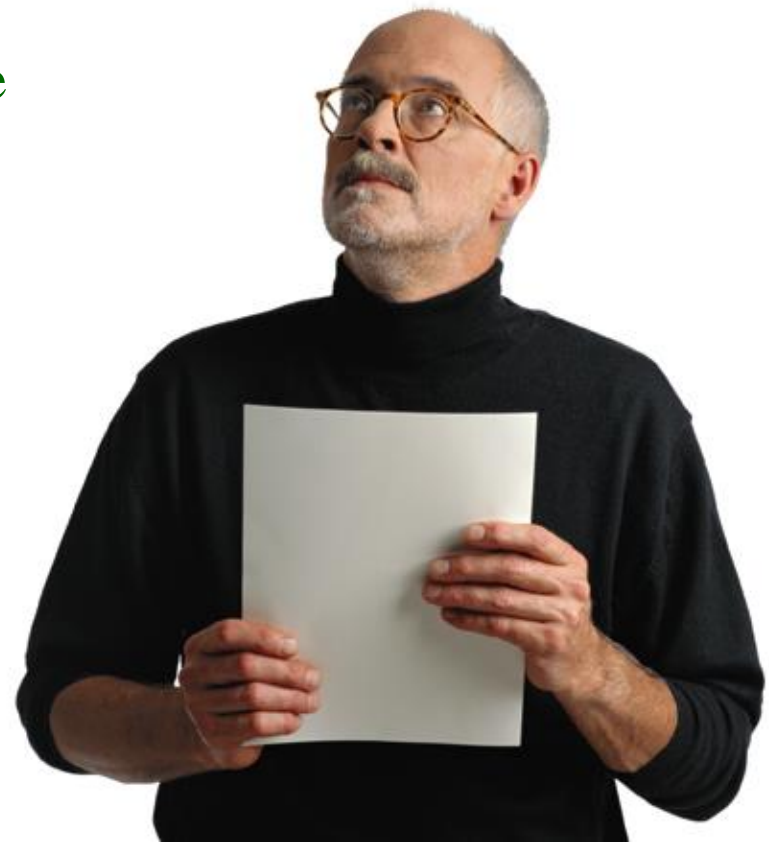
2023

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” Retirement Planning Guide

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.
 - The following forms can be downloaded from our website: Beneficiary Change Form-Life Insurance (not MPS), Beneficiary Change Form-Pension Benefits, and Benefit Estimate Request.

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

You can retire with *non-reduced* benefits at Service Retirement Age:

Tier I:

Enrolled on/before 12/31/2013

- Age 60

or

- Age 55 with at least 30 years of service
- No limit on outside earnings

Tier II:

Enrolled on/after 1/1/2014

- Age 65

or

- Age 60 with at least 30 years of service
- No limit on outside earnings

ERS Benefits

Early retirement

You can retire with *reduced* benefits at age 55 or later with at least 15 years of service

- A financial penalty applies
- If you were hired on/before 12/31/2013, until age 60, your benefit may be further reduced for outside earnings (up to certain limits)
- If you were hired on/after 1/1/2014, until age 65, your benefit may be further reduced for outside earnings (up to certain limits)
- You pay 75% of the cost of the premium that the City pays for health insurance (Rate Chart I)

Final Average Salary

- Final Average Salary (FAS) shall mean the average annual earnable compensation of a member computed on the 3 years of creditable service preceding their date of retirement during which their earnable compensation was the highest.
- Earnable Compensation shall mean the annual regular base salary that would be payable to a member if he or she worked the full normal working time for his or her position.

How monthly pension benefits are calculated

Service Retirement Benefit Formula

Years of Creditable Service x Service Credit Factor = Multiplier

Note: Multiplier is capped at 70%

Service Credit factor for those hired on/before 12/31/2013 = 2.0%

Service Credit factor for those hired on/after 1/1/2014 = 1.6%

(Multiplier x Final Average Salary) = Annual Pension Benefit

Annual Pension Benefit / 12 = Monthly Pension Benefit

Estimating your monthly benefit

Example: Service Retirement Monthly Benefit

Enrolled on/before 12/31/2013

Assumptions: Age 60

30 Years of Service

Final Average Salary (FAS):
\$40,000

30 Years of Service x 2.0% = **60%**

60% x \$40,000 FAS = **\$24,000**

\$24,000 / 12 = **\$2,000* Monthly Pension Benefit**

*This is a gross amount; subject to state and federal taxes.



Estimating your monthly benefit

Example: Service Retirement Monthly Benefit

Hired on/after 1/1/2014

Assumptions: Age 65

32 Years of Service

Final Average Salary (FAS):
\$50,000

32 Years of Service x 1.6% = **51.2%**

51.2% x \$50,000 FAS = **\$25,600**

\$25,600 / 12 = **\$2,133.33*** **Monthly Pension
Benefit**

*This is a gross amount; subject to state and federal taxes.



How monthly pension benefits are calculated

Early Retirement Benefit Formula

Years of Creditable Service x Service Credit Factor = **Multiplier**

Note: Multiplier is capped at 70%

Service Credit factor for those hired on/before 12/31/2013 = 2.0%

Service Credit factor for those hired on/after 1/1/2014 = 1.6%

(Multiplier x Final Average Salary*) = **Annual Pension Benefit**

Annual Pension Benefit x Reduction Factor = **Reduced Annual Pension Benefit**

Reduced Annual Pension Benefit / 12 = **Monthly Pension Benefit**

Estimating your monthly benefit

Example: Early Retirement Monthly Benefit

Enrolled on/before 12/31/2013

Assumptions: Age 55 (Reduction Factor: 0.6057)

20 Years of Service

Final Average Salary (FAS): \$40,000

20 Years of Service x 2.0% = **40%**

40% x \$40,000 FAS = **\$16,000**

\$16,000 x 0.6057 Reduction Factor = **\$9,691.20**

\$9,691.20 / 12 = **\$807.60* Monthly Pension Benefit**

*This is a gross amount; benefit subject to state and federal taxes.



Retiring from ERS

Your payment options

- Maximum Retirement Allowance/
No survivorship benefit
-

- Survivorship Options: *Provide reduced lifetime benefit for you; guarantee continuing benefits to your named survivor*
-

- Option 2: 100% Survivorship
- Option 3: 50% Survivorship
- Option 4: Variable Survivorship



Retiring from ERS

Example: How Payment Option Affects Monthly Benefit

Assumptions:

Enrolled on/before 12/31/2013

Retiree - Age 60

Survivor - Age 57

Monthly Pension Benefit: \$2,000

Payment Option	Retiree	Survivor
Max. Ret. Allowance	\$2,000.00	\$0
100% Survivorship .8803 Age Factor	\$1,760.60	\$1,760.60
50% Survivorship .9363 Age Factor .9500 for Spouse	\$1,872.68 \$1,900.00	\$936.34 \$950.00
75% Survivorship .9074 Age Factor	\$1,814.91	\$1,361.18

Survivorship factors revised 01/02/2018

Retiring from ERS

Example: How Payment Option Affects Monthly Benefit

Assumptions:

Enrolled on/before 12/31/2013

Retiree - Age 55

Survivor - Age 55

Monthly Pension Benefit: \$2,000

Payment Option	Retiree	Survivor
Max. Ret. Allowance	\$2,000.00	\$0
100% Survivorship .9112 Age factor	\$1,822.40	\$1,822.40
50% Survivorship .9535 Age factor	\$1,907.07	\$953.54
75% Survivorship .9319 Age factor	\$1,863.78	\$1,397.83

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
- Can be elected only during 6 months before you reach Minimum Retirement Age
- If you do not elect a PSO, you will have the opportunity to select a survivorship option when you retire

Retiring from ERS

Protective Survivorship Options (PSOs)

- The PSO is irrevocable unless one of the following qualifying events and procedures occurs:
 - If the named survivor predeceases you before retirement, the option will automatically be revoked
 - If you are legally divorced from the named survivor prior to retirement, the option will be cancelled upon written request to the Board
 - If you marry, divorce, or at the time of retirement, you can re-select an option

Retiring from ERS

Example: How a PSO Can Protect Your Spouse

Assumptions: Enrolled on/before 12/31/2013
Employee age 60 and Spouse Survivor Age 57
30 Years of Service
Final Average Salary (FAS): \$40,000
Account Balance: \$65,000
Employee Dies At Age 60

Survivor Benefit with PSO

Option 2 (100%): \$1,760.60/month
Option 3 (50%): \$950/month
Option 4 (75%): \$1,361.18/month

Beneficiary Benefit without PSO

Ordinary Death Benefit*:
\$676.42/month
(when converted from \$85,000
lump sum to life annuity)

*Death Benefit = Accumulated Contributions Acct +
½ Final average salary (if more than one year).

The Pension Advance

Special payment option

- Can help balance your total monthly income before/after Social Security eligibility – Must provide ERS with most recent Social Security statement
- Your pension benefit is *increased* until age 62
- Your pension benefit is *permanently reduced* at age 62 (to repay advance)
- The pension advance is not a loan in the traditional sense
 - Reduction occurs even if you don't begin Social Security at 62
 - The recovery payments are calculated based upon the life expectancy of the retiree and are collected over the life of the retiree - **The longer you live, the more you will repay**
 - **NOTE: This option will not affect your Social Security benefit!**

The Pension Advance

Example: Retirement Benefits until Age 85

Monthly Pension Benefit: \$1,500

Pension Advance: \$373/month from Age 55 to Age 62

	With Pension Advance	Without Pension Advance
Total Pension Benefits (age 55 to age 62)	\$ 157,332	\$ 126,000

Difference At Age 62: \$31,332 More With Pension Advance

The Pension Advance

Example: Retirement Benefits until Age 85

Monthly Pension Benefit: \$1,500

Pension Advance: \$373/month from Age 55 to Age 62

	With Pension Advance	Without Pension Advance
Total Pension (age 55 to age 62)	\$ 157,332	\$ 126,000
Total Pension (age 62 to age 85)	\$ 302,220	\$ 414,000
Social Security (age 62 to age 85)	<u>\$ 214,728</u>	<u>\$ 214,728</u>
Total Retirement Benefits:	\$ 674,280	\$ 754,728

Difference At Age 85: \$80,448 Less With Pension Advance

5% Lump-sum Bonus

- Provided for in the terms of the Global Pension Settlement Agreement (GPS)
 - ◆ Must have consented to the GPS
- Hired prior to 1/1/2000
- 5% x Maximum Retirement Allowance x Age Factor
- Payable after you begin retirement allowance – paid out the end of the month after you get your first benefit payment
- Payment options
 - ◆ Cash (Mandatory 20% withheld for Federal tax – State taxes withheld only if you request)
 - ◆ Rollover to traditional IRA or qualified employer plan
 - You can roll this over to your City Deferred Comp Plan
 - ◆ Combination of cash and rollover

Example: Age 60 (Factor: 9.8147) Max. Ret. Allowance: \$24,000

$5\% \times \$24,000 \times 9.8147 = \$11,777.64$ Lump Sum Bonus

Additional age factors: 55(10.4570), 56(10.3406), 57(10.2182), 58(10.0896), 59(9.9551)

Military Service Credit

- Extra imputed service credit for pre-ERS active service
 - ◆ 1 year for every 3 years active military service up to 3 years
 - ◆ Must be an honorable discharge
 - ◆ Must provide copy of DD-214
 - ◆ Cannot be used to qualify for retirement

Seasonal Laborer Credit

■ Up to one year of additional imputed service credit

- ◆ Must be a member of the Combined fund
- ◆ Must have at least 5 years of creditable service
- ◆ Cannot be used to qualify for retirement
- ◆ Service credit must be certified to ERS by the Department of Employee Relations
 - ERS will contact DER at member's request

COLAs (Cost of Living Adjustments)

- Global Pension Settlement Agreement

- Available to all retirees enrolled on/before 12/31/2013
- Must have consented to GPS
- Hired after 1/1/2000 COLA is self-funded via 1.6% contributions during first 8 years of enrollment
- 1.5%: Second, third, fourth retirement anniversaries
- 2.0%: Fifth and following anniversaries

Example: \$2,000 Monthly Pension Benefit (retirement effective date: 05/01/2018)

Retirement Anniversary Date	Annual COLA	New Monthly Benefit
Year 1 (5/01/19)	No COLA increase	\$2,000.00
Year 2 (5/1/20)	(1.5% of \$2,000.00) = \$30.00	\$2,030.00
Year 3 (5/1/21)	(1.5% of \$2,030.00) = \$30.45	\$2,060.45
Year 4 (5/1/22)	(1.5% of \$2,060.45) = \$30.91	\$2,091.36
Year 5 (5/1/23)	(2% of \$2,091.36) = \$41.83	\$2,133.19
Year 6 (5/1/24)	(2% of \$2,133.19) = \$42.67	\$2,175.86

Deductions

- Federal taxes
- State of Wisconsin taxes
- Group Life Insurance
- Group Health Insurance

Retiring from 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).

NOTE: You cannot have a “pre-arrangement” with your current employer to return to work after your retirement.



Life Insurance During Retirement- General City Retirees

- As of January 1, 2023 the life insurance carrier for the City of Milwaukee is Sun Life. We change carriers every 3-5 years, so think of your carrier as the City of Milwaukee. There are no physical policies. This is a term life policy with no cash value.
- Only **ACTIVE** general city employees are covered by the automatic \$50,000 city-paid group life insurance. You lose this coverage at retirement. (however you may continue this coverage through MetLife).
- Only **ACTIVE** employees can carry family group life insurance
 - The family coverage with the City terminates at your retirement (however you may continue your family life ins. through MetLife).
- Porting applications are provided at retirement appointments.
- Detailed information and FAQ's can be found on our website – www.cmers.com

Life Insurance During Retirement- General City Retirees

- At the time of retirement, employees must be enrolled in voluntary group life insurance of at least 50% of annual base salary in order to have voluntary group life insurance as a retiree. You cannot sign up for voluntary insurance coverage at the time of retirement. You cannot increase your voluntary coverage at retirement, but you can decrease it.
- Retirees pay the full cost of age banded rates.
- Retirees who have more than 50% in voluntary life insurance may decrease coverage at any time.
- Life insurance premiums will be deducted from your monthly benefit payment.
- Coverage continues automatically and premiums increase every five years (see rate chart). You never need to re-enroll.

Life Insurance During Retirement

- Retirees who waive voluntary life insurance cannot obtain future life insurance with the city
- Retirees who maintain voluntary group life insurance prior to age 65 will have \$10,000 in city-paid life insurance upon attaining age 65
- At age 65 a member may waive voluntary life insurance but continue to have \$10,000 in city-paid coverage or they may continue to carry voluntary life insurance by paying the age banded rate and \$10,000 of coverage is paid for by the city

Life Insurance Age Banded Rates

Age	Rate per thousand
55-59	\$0.344
60-64	\$0.528
65-69	\$1.016
70-74	\$1.648
75-79	\$1.944
80-84	\$2.240
85-89	\$4.232
90+	\$6.400

Rate increases due to age will go into effect on January 1st of the following year

Life Insurance Beneficiaries

- Primary Beneficiary

- Person(s) designated by you to receive your life insurance proceeds in the event of your death

- Consent of Spouse form – Use if you are naming anyone other than your spouse as primary beneficiary.

- Contingent Beneficiary

- Person(s) designated by you to receive your life insurance proceeds in the event of your death only if all persons listed as primary beneficiary(ies) predecease you

Beneficiaries can be changed any time and as often as needed. To obtain the beneficiary designation form or Consent of Spouse form you can: contact the ERS (286-3557) or download the form on our website – www.cmers.com go to “Forms” located on the home page at the top right corner.

IT IS IMPORTANT TO KEEP BENEFICIARY DESIGNATIONS UP TO DATE!

Accelerated Benefits Option and Will Preparation

- You may be eligible to receive up to 75% of your voluntary life insurance coverage if you are diagnosed with a terminal or serious medical condition.
- Free will preparation is available to members who carry voluntary insurance coverage into retirement. Flyers with contact information for MetLife participating plan attorneys are available upon request.

Health Coverage – Service Retirement

- You can continue City coverage during retirement
 - Charter Ordinance 77-2192
 - ◆ ***IMPORTANT*** Retirees cannot be covered under any other health insurance (either through their own or a spouse's employment)
- Dependent coverage also available
- Coverage before age 65:
 - Monthly premiums are 12% of the total cost of the plan. Rates can change year-to-year until member reaches age 65
 - Retiring at age 60-65 with 15 years of *General City creditable service* (not pension qualifying time)
 - Retiring between age 55-59 with at least 30 years - Age 55-65 with 30 years of *General City qualifying time or creditable service* (must have at least 15 years of city creditable service)
 - **IMPORTANT:** be sure to verify that you will meet the eligibility for the city-paid health insurance before you sign up for retirement

Health Coverage – Early Retirement

- Age 55-59 with at least 15 years of *creditable service* (not pension qualifying time)
 - Eligible for subsidized coverage
 - ◆ Cost for coverage is 75% of the total cost of the monthly premium that the City pays
 - Contact a Retiree Health Insurance Specialist to find out what your premium will be
 - (414)286-3557
 - ◆ Premium rate charts can be found on the ERS website www.cmers.com

Health Coverage – After Age 65

- **Eligible to continue under one of the City's plans**

- **Supplement to Medicare - You must enroll in Medicare Part A & B**

- **Subsidized premium**

- ◆ You pay 75% of the total cost of the monthly premium that the City pays

- Premium rate charts can be found on the ERS website – www.cmers.com

Health Coverage During Retirement

- Changes to coverage
 - Add or delete a dependent
 - ◆ Complete new enrollment form within 30 days of qualifying event
 - Annual Open Enrollment
 - ◆ Same time as active members
 - ◆ Open enrollment information mailed to retirees currently enrolled in one of the City's plans
 - Important information regarding health care benefits provided in monthly retiree newsletter
 - Coverage waived
 - ◆ Can return to City's plan at Open Enrollment
 - ◆ Need to provide certificate of credible coverage from current health care plan

NOTE: Retirees do not have to participate in the Healthy Rewards Program

Dental Coverage During Retirement

- You can continue City coverage up to 18 continuous months after retirement under COBRA
 - Coverage must be elected no later than 60 days from the date active employee coverage ends
 - Eligible to make changes during annual open enrollment period
 - City of Milwaukee does not offer dental coverage beyond the 18 month COBRA period
- Your cost is 102% of the monthly group premium