

Options for Payment at Retirement



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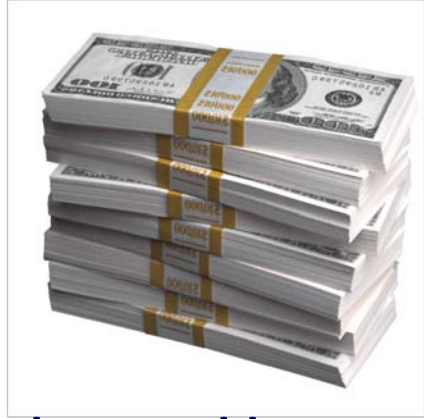
Payment Options to Retiree



1. Life Allowance
2. Option A - Joint & Survivor
3. Option B - Joint & Survivor
4. Option C - 10 Year Payment Certain

* Partial Lump Sum - may be added to any of the above payment options.

Partial Lump Sum Option



Retirees may choose to receive a partial lump sum distribution of the monthly retirement benefit

Equal to 24 payments (2 years) of the Life Allowance

- Does not include temporary benefit under a Life and Temporary plan

Monthly benefit is still payable for life but reduced to 84% (if retiring at age 60)

- Add 0.4% for each year retiree is younger than 60
- Subtract 0.4% for each year retiree is older than 60

Payable 90-150 days after a retiree's effective date

Life, Option A, Option B, Option C may be elected with or without Partial Lump Sum

Partial Lump Sum Feature



Subject to all applicable taxes

May delay taxes by rolling over into eligible retirement account

If retiree receives the lump sum:

LAGERS MUST withhold 20% and forward to IRS

General Employees may also be subject to a 10% early distribution penalty if younger than 55.

Public Safety employees may be subject to a 10% early distribution penalty if younger than 50.

Life Allowance

Benefit Program x F.A.S. x Credited Service = Monthly Benefit
(Assume L-7, \$3,000 F.A.S., 25 Years of Service Credit)

LIFE

Member Benefit = 1.50% x \$3,000 x 25 = \$1,125 per month for life

LIFE PLUS

\$1,125 x 84% = \$945 per month for life

PLUS \$27,000 Lump Sum (\$1,125 x 24 checks)

Upon death of the member, monthly payments stop.

Guaranteed to receive at least the member's accumulated contributions through benefit payments or refund.

Option A

- 1. Member Benefit = Life Allowance x 85% (adjusted for age)
- 2. Spouse Benefit = Employee Benefit x 75%

EXAMPLE #1 - No Age Difference

- 1. Employee benefit = \$1,125.00 x 85% = \$956.25/mo
- 2. Spouse benefit = \$ 956.25 x 75% = \$717.19/mo

Option A

Example #2: Spouse 5 years Younger

$$.75\% \times 5 \text{ years} = 3.75\% \text{ Reduction (85\% - 3.75\%)}$$

$$\text{Member Benefit} = \$1,125.00 \times 81.25\% = \$914.07 / \text{mo}$$

$$\text{Spouse Benefit} = \$ 914.07 \times 75.00\% = \$685.56 / \text{mo}$$

Example #3: Spouse 5 years Older

$$.75\% \times 5 \text{ years} = 3.75\% \text{ addition (85\% + 3.75\%)}$$

$$\text{Member Benefit} = \$1,125.00 \times 88.75\% = \$998.44 / \text{mo}$$

$$\text{Spouse Benefit} = \$ 998.44 \times 75\% = \$748.83 / \text{mo}$$

Option B

1. Member Benefit = Life Allowance x 90% (adjusted for age)

2. Spouse Benefit = Employee Benefit x 50%

EXAMPLE #1 - No Age Difference

1. Member Benefit = \$1,125.00 x 90% = \$1,012.50/mo

2. Spouse Benefit = \$1,012.50 x 50% = \$ 506.25/mo

Under Options A & B, should the spouse predecease the member, the member's benefit amount reverts back to the adjusted life allowance - upon notification to the system.

Option B

Example #2: Spouse 5 years younger

.50% x 5 years = 2.5% reduction (90% - 2.5%)

Member Benefit = \$1,125.00 x 87.50% = \$ 984.38/mo

Spouse Benefit = \$ 984.38 x 50.00% = \$ 492.19/mo

Example #3: Spouse 5 years older

.50% x 5 years = 2.5% addition (90% + 2.5%)

Member Benefit = \$1,125.00 x 92.50% = \$1,040.63/mo

Spouse Benefit = \$1,040.63 x 50.00% = \$ 520.32/mo

Pop-up Provision still applies

Option C

Member Benefit = Life allowance x 95% for Life

Beneficiary benefit upon death of member is same benefit, provided the beneficiary(s) shall receive benefits until a total of 120 Monthly Payments have been made.

Example #1 - Member lives 20 years after Retirement

$$\text{Member Benefit} = \$1,125.00 \times 95\% = \$1,068.75/\text{mo}$$

$$\$1,068.75 \times 12\text{mos} \times 20 \text{ yrs} = \$256,500$$

(plus post-retirement increases)

Because more than 120 total payments have been made, Payments cease upon death of member

Option C

Example #2 – Member Lives 5 years after Retirement

Member Benefit = \$1,125.00 x 95% = \$1,068.75/mo

$$\mathbf{\$1,068.75 \times 12 \text{ mos} \times 5\text{yrs} = \$64,125.00}$$

Beneficiary Benefit = \$1,125.00 x 95% = \$1,068.75/mo

$$\mathbf{\$1,068.75 \times 12 \text{ mos} \times 5\text{yrs} = \$64,125.00}$$

(plus post-retirement increases)

Payments cease after a total of 120 payments have been made.

Member retiring will always receive payments for life.

Option A “PLUS”

$$\begin{aligned} \text{Member Benefit} &= \text{Life allowance} \times 85\% \text{ (adjusted for age)} \\ &\times 84\% \text{ Reduction for Partial Lump Sum} \\ \text{Spouse Benefit} &= \text{Employee Benefit} \times 75\% \end{aligned}$$

Example #1 - No Age Difference

$$\begin{aligned} \text{Option A Reduction} &= \$1,125.00 \times 85\% = \$ 956.25 \\ \text{PLUS Reduction} &= \$ 956.25 \times 84\% = \$ 803.25/\text{mo} \\ \text{PLUS Payment} &= \$1,125.00 \times 24 = \$27,000 \\ \text{Spouse Benefit} &= \$803.25 \times 75\% = \$ 602.44/\text{mo} \end{aligned}$$

Option B “PLUS”

Member Benefit = Life allowance x 90% (adjusted for age difference)
Sum Spouse Benefit = Employee benefit x 84% Reduction for Partial Lump x 50%

Example #1 - No Age Difference

Option B Reduction	=	\$1,125.00 x 90%=	\$1,012.50
PLUS Reduction	=	\$1,012.50 x 84%=	\$850.50/mo
PLUS Payment	=	\$1,125.00 x 24 =	\$27,000
Spouse Benefit	=	\$ 850.50 x 50% =	\$425.25/mo

Pop-Up Provision still applies

Option C “PLUS”

Benefit = Life allowance x 95% (for life)

Beneficiary benefit upon death of employee is same provided the beneficiary(s) shall receive benefits until a total of 120 Monthly Payments have been made.

Example #1 – Member lives 20 years after Retirement

Option C Reduction = \$1,125.00 x 95% = \$1,068.75

PLUS Reduction = \$1,068.75 x 84% = \$897.75/mo

PLUS Payment = \$1,125.00 x 24 = \$27,000

$\$897.75 \times 12\text{mos} \times 20 \text{ yrs} = \$215,460 (+ \$27,000 \text{ LS})$

Because more than 120 total payments have been made, payments cease upon death of employee



Thank You!