

AN EMPLOYEE'S GUIDE TO
UNDERSTANDING THE RHODE ISLAND
RETIREMENT SECURITY ACT

*January
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Employees' Retirement System of Rhode Island

About this Guide:

On July 1, 2012, the Rhode Island Retirement Security Act of 2011 (RIRSA) will fully take effect. The following pages outline the many changes RIRSA brings to the Employees' Retirement System of Rhode Island (ERSRI), Rhode Island's largest public employee pension system. Among those changes are a combined defined pension benefit and defined contribution program, a retirement age that matches the Social Security retirement age (with transition rules for those closer to retirement) and cost-of-living adjustments that are tied to the system's funding level and actual investment returns.

This guide is designed to be a source of information about only those retirement eligibility criteria and benefits that were changed by the passage of RIRSA. The information included here does not supersede Rhode Island General Law, Titles 16, 28, 36, 42 and 45. In the event of any inconsistencies between the provisions of this guide and Rhode Island law, Rhode Island law shall govern. Please note, also, that rules governing retirement are subject to change, either by statute or by regulation of ERSRI.

If you have questions regarding your eligibility or future pension benefits, contact ERSRI by phone at (401) 462-7600 or by email at communications@ersri.org.

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Using ERSRI's Online System

If you are an active member, ERSRI's online system is a great resource for tracking the details of your estimated contributing service credit and your estimated date of retirement. If you are a retiree, ERSRI online is where you'll find your monthly pay stub, as well as where you can make changes to your tax withholding and other information.

To create an account, go to www.ersri.org and click the "Create an Account" link. Then, follow the onscreen instructions to create and access your account.

You can apply for retirement online by going to the "My Retirement" tab and completing the application. You may also apply for retirement by completing and submitting to ERSRI an application that you previously received during an ERSRI group counseling session.

Membership Eligibility

The following public employees are required to become members of the Employees' Retirement System of Rhode Island (ERSRI) as a condition of their employment:

- **State Employees:** Any individual employed by the State of Rhode Island in a position for at least 20 hours per week. Casual, seasonal or employees appointed on an emergency basis are ineligible. The employee's business time must be devoted exclusively to the service of the state.
- **Public School Teachers:** Any individual who is certified by the Board of Regents, engaged in teaching as a principal occupation and is regularly employed on at least a half-time basis as a teacher in any city, town, regional school district or collaborative as specified in R.I.G.L. §16-16-1. Additional employee titles considered to be "teachers" include supervisor, principal, assistant principal, superintendent or assistant superintendent, director, assistant director, coordinator, consultant, dean, assistant dean, assistant educational administrator, nurse teacher or attendance officer. In addition, occupational or physical therapists licensed by the Department of Health and employed by a school committee, as well as school business administrators, school psychologists and any person working within the educational system who is certified by the Board of Regents must contribute. School business administrators are not required to hold a teaching certification.
- **Correctional Officers:** Any individual employed as a correctional officer, assistant director (adult services), assistant deputy director, chief of inspection, associate director, chief of security, work rehabilitation program supervisor, supervisor of custodial records and reports, or classification counselor within the Department of Corrections as specified in R.I.G.L. §36-10-9.2.
- **Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) Registered Nurses:** Any individual employed as a registered nurse within the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals as specified in R.I.G.L. §36-10-9.3.
- **Municipal Employees:** Any individual employed by a participating municipality in a position for at least 20 hours per week. Casual, seasonal or employees appointed on an emergency basis are ineligible. The employee's business time must be devoted exclusively to the service of the participating municipality. City or Town Council members are subject to the requirements specified in R.I.G.L. §45-21-8.1.

What is ERSRI?

ERSRI provides retirement, disability and survivor benefits to state employees, public school teachers, judges, state police, participating municipal police and fire employees, and general employees of participating municipalities. Retirement eligibility and benefits are governed by Titles 16, 28, 36, 42 and 45 of the Rhode Island General Laws.

- **MERS Police and Fire:** Police officers, police officials and firefighters who are employees of police or fire departments that are members of the Municipal Employees' Retirement System retirement plan for police and firefighters. The position must be for at least 20 hours per week. Casual, seasonal or employees appointed on an emergency basis are ineligible. The employee's business time must be devoted exclusively to the service of the municipality.
- **State Police:** The superintendent, deputy superintendent and clerks hired prior to July 1, 2012 of the Rhode Island state police and members of the state police hired after July 1, 1987, who have been appointed by the superintendent of the division of State Police.
- **Judges:** All justices and judges of the Supreme, Superior, Family and District Courts, Traffic Tribunal, and Workers' Compensation Court engaged after December 31, 1989.

Member contributions

How much will I contribute?

The Rhode Island Retirement Security Act of 2011 (RIRSA) created a combination defined benefit and defined contribution plan for most members of the Employees' Retirement System of Rhode Island (ERSRI) and the Municipal Employees' Retirement System (MERS). On July 1, 2012, most state employees, teachers and municipal employees will begin making mandatory pre-tax contributions to the defined contribution plan. RIRSA has also changed the amount that employees are required to contribute to the existing defined benefit pension plan.

RIRSA will also require most employers to contribute to the defined contribution plan for their employees. In addition, employers will continue to make their annual required contribution to the defined benefit pension plan, as required by statute and determined by the retirement system's actuary.

The following chart details the new RIRSA guidelines for employee contributions to the defined benefit plan and the defined contribution plan, as well as employer contributions to the defined contribution plan:

Employee Type	DB Plan Contribution rate (Member)	DC Plan Contribution rate (Member)	DC Plan Contribution Rate (Employer)
State	3.75%	5%	1%
Teacher	3.75%	5% (Additional 2% for teachers without Social Security)	1% (Additional 2% for teachers without Social Security)
Municipal (General Employees)	1% (No COLA) 2% (With COLA)	5% (Additional 2% for employees without Social Security)	1% (Additional 2% for employees without Social Security)
Municipal (Police and Fire)	7% (No COLA) 8% (With COLA)	3% for employees without Social Security	3% for employees without Social Security
BHDDH Nurses	3.75%	5%	1%
Correctional Officers	8.75%	None	None
Judges	12% (effective 7-1-12 for both contributing and non-contributing judges)	None	None
State Police	8.75%	None	None

When will I become a vested member of the system?

The term “vested” means that you are able to collect a pension benefit when you meet your minimum retirement eligibility criteria. Effective July 1, 2012, active contributing members are vested in the defined benefit pension plan when they have five years of contributing service.

Members who participate in the defined contribution plan will always be 100 percent vested in their contributions. Employer contributions will be vested after the member has three years of contributing service, including contributing service prior to July 1, 2012. Non-vested members who terminate employment prior to completing three years of contributing service will forfeit the employer’s contribution.

Can I borrow from my retirement money?

No, you may not borrow the money you have contributed to the defined benefit pension plan. You may only withdraw your contributions if you terminate employment with a participating employer.

What happens to the money that I contribute?

Your contributions to the defined benefit pension plan are deposited into a trust fund created for the exclusive benefit of retirement system members and their beneficiaries. Investment of these funds is overseen by the State Investment Commission, which is chaired by the General Treasurer.

I’m leaving my job. Can I take my contributions?

If you leave your job, you can take a refund of your defined benefit pension contributions as cash, or roll your defined benefit contributions into another qualified retirement plan. When you take a cash refund, you are responsible for any applicable taxes or penalties that may apply. ERSRI typically processes refunds within six weeks of receiving your completed refund application, which is available at www.ersri.org.

Understanding Service Credit

Your future pension benefit is determined by the number of years you have worked and contributed to the retirement system. Generally, members receive one year of contributing service credit for each full year that they work and make contributions in a position that is at least 20 hours per week.

Members sometimes change jobs, moving from one participating employer to another. Typically, you will be able to use all of your contributing service toward your pension benefit, as long as you didn't work for two different participating employers at the same time (also called concurrently). Time that you have worked in a city or town counts only if that city or town participates in MERS.

Can I purchase service credit?

Members may be eligible to purchase service credit for other types of employment, or for time periods when they were on official leave or were laid off from their contributing position. However, service credit purchases are *not* considered contributing service for meeting vesting requirements.

Generally, members may purchase up to five years of service credit. Under RIRSA, all service purchases must be made within three years of your initial eligibility. In other words, if you are laid off from your contributing position and are then called back to work, you have three years from the date of return to purchase that missing time. In addition, RIRSA gives members who are active on June 30, 2012 until June 30, 2015 to exercise any existing eligible purchases. Only active employees may make purchases. If you are eligible to purchase service credit for prior non-contributing employment time, that purchase must be made within three years of the date you were initially hired in your contributing position.

If you apply for a purchase prior to July 1, 2012, you will be purchasing benefits at the higher accrual rates in effect prior to July 1, 2012. Purchases made on or after July 1, 2012 will be at the new accrual rates in effect under RIRSA.

A word about teachers

Under RIRSA, a full year of contributing service for teachers is counted when the teacher has taught for 180 days.

Any teacher who is employed at least half-time or more will receive service credit on a proportional basis.

If your Article 7 (see page 12) retirement eligibility date is prior to the end of the 2012 school year, RIRSA doesn't change your eligibility date. However, if you leave before teaching a full year, you will not earn a full year of credit.

As for cost, purchases made before July 1, 2012 will be at full actuarial cost. Under RIRSA, service purchases made on or after July 1, 2012 — except military purchases and refunds — will be calculated at full actuarial cost based on the plan's assumed rate of investment return minus one percent. Therefore, purchases made prior to July 1, 2012 may be more financially advantageous to you than those made on or after July 1, 2012.

It is important to note that your Article 7 retirement eligibility date can't be changed by a purchase. However, purchases made prior to June 30, 2012 *may* change your retirement eligibility date under RIRSA.

If you left the system, but then came back...

Members who leave state or municipal employment may withdraw their contributions or roll them over into another qualified retirement plan. So what happens if you withdraw your contributions, but then return to participating employment?

You are eligible to buy that time back after you return to participating employment for at least one year. You must pay the amount refunded to you, plus interest, and you are not subject to the five-year purchase limit.

Once you have purchased your time back, your earned time is restored and will count as contributing service toward vesting requirements.

Eligible service credit purchases

Typically, service credit may be purchased for:

- **Official leave of absence (up to four years).** You may be eligible to make this purchase once you have returned to active employment for at least one year. MERS members must return to work immediately after official leave.
- **Official lay-off (up to one year).** You may be eligible to make this purchase if you returned to service with no termination of employment and you did not withdraw your retirement contributions while you were laid off. MERS members must pay the amount they would have contributed during the lay-off, plus interest.

- **Out-of-state and private school teaching (up to five years).** You may be eligible to make this purchase if you are a Rhode Island public school teacher and spent time teaching in another state or in a private school.
- **Work for a non-participating municipality.** You may be eligible to purchase time you spent working in a city or town that doesn't participate in MERS.

Other service purchases

You may also be able to purchase time for other types of employment, but you cannot purchase time toward your retirement after you retire, terminate employment or if you are an inactive member of the system. If you were an inactive member and have returned to contributing service, you must wait a full year before you initiate any purchases. Under RIRSA, all purchase applications must be received within three years of being eligible to make the purchase. Purchases of military service have not changed under RIRSA.

How do I make a purchase?

Visit www.ersri.org to find the appropriate forms for each type of purchase. Have the employing agency complete the form and submit the completed form to ERSRI.

You may pay for your purchase by lump sum, by payroll deduction specified in an installment agreement over a period not to exceed five years, or by roll over of pre-tax dollars from a qualified plan, such as a 401(K). Consistent with federal law, payment method selection is irrevocable.

If you are ready to retire and have an outstanding purchase, you must contact ERSRI in advance to have your installment agreement pro-rated or to be billed for the remaining amount of your purchase. You may not retire using time that you have purchased unless that purchase has been paid in full. ERSRI requires that your employer provide written confirmation of your termination.

When can I retire?

Understanding Your Schedule

In 2005 and 2009, the Rhode Island General Assembly passed a series of pension reform measures that affected retirement eligibility dates for state employees and teachers. These reforms created eligibility “schedules” for ERS members. Although RIRSA makes more changes to retirement eligibility, the schedules created by these earlier reforms still matter.

When talking about eligibility and benefits, you may hear about your “Article 7” date. This is the date at which you were eligible to retire as of September 30, 2009. It’s called Article 7 because the changes were enacted under H 5983Aaa, Article 7, Substitute A as amended in the 2009 legislative session.

Your Article 7 date is important to know when trying to determine when you can retire under RIRSA.

Determining your schedule

First, you have to know your schedule. Depending on when you began employment and your years of contributing service as of September 30, 2009, you could be Schedule A, Schedule B, Schedule AB, Schedule B1 or Schedule B2. Here is a quick guide to schedules:

You are Schedule A if you:

- Are a state employee or public school teacher and you were vested with 10 years of contributing service credit on July 1, 2005 and you were eligible to retire as of September 30, 2009. **Schedule A members** were eligible to retire as of September 30, 2009 if they had 28 years of total service as of September 30, 2009 (at any age) **OR** if they had 10 years of contributing service and were 60 years old as of September 30, 2009.

Don’t know your schedule?

If you’re unsure of your schedule — or want to know more about your Article 7 date — go to www.ersri.org and create your online retirement account.

When you log in with your username and password, click on the “My Account” tab. There, you’ll find your years of contributing service credit, your schedule and a link to a Microsoft Excel form that will calculate your Article 7 retirement age.

You are Schedule B if you:

- Are a state employee or public school teacher, but you were not vested with 10 years of contributing service credit on July 1, 2005 and you were eligible to retire as of September 30, 2009. **Schedule B members** were eligible to retire as of September 30, 2009 if they had 10 years of contributing service and were 65 years old as of September 30, 2009.

You are Schedule AB if you:

- Are a state employee or public school teacher, were vested with 10 years of contributing service credit on July 1, 2005, but were not yet eligible to retire on September 30, 2009.

You are Schedule B1 if you:

- Are a state employee or public school teacher, were not vested with 10 years of contributing service credit on July 1, 2005, and were not yet eligible to retire on September 30, 2009.

You are Schedule B2 if you:

- Are a state employee or public school teacher who became a member of ERSRI after September 30, 2009. You are eligible to retire at your Social Security normal retirement age.

Note: If you are a Schedule A or Schedule B member, your retirement date has not changed and you remain eligible to retire at any time.

Determining Your Article 7 Retirement Date

Now that you know your schedule, you can use this information to determine your Article 7 retirement eligibility date. The most important date to remember when calculating your Article 7 date is September 30, 2009 because your years of service — and your age — on that day will affect when you can retire under RIRSA.

Here is a guide to determining your Article 7 date according to your schedule:

If you are a Schedule A or Schedule B member, your retirement eligibility date has not changed and you are eligible to retire at any time.

For Schedule AB members and Schedule B1 members, the minimum retirement age under Article 7 was 62. But the reform law gave “credit” (in technical terms, a “proportional downward

adjustment”) toward an earlier retirement age, based on the years of service that a member had as of September 30, 2009. Those years of service as of September 30, 2009 are often referred to as “frozen service credit.” Your Article 7 retirement date can be calculated using your age and years of service as of September 30, 2009.

If you are a Schedule B2 employee, you were hired after September 30, 2009 and there is no proportional downward adjustment to your retirement age.

To find your Article 7 date, visit www.ersri.org and log into your account with your username and password. Click the “My Account” tab. There, you will find your schedule, your total years of service and a link to a Microsoft Excel form that will calculate your Article 7 retirement eligibility date. Schedule AB members should use the Schedule A form; Schedule B1 members should use the Schedule B form.

Retirement Eligibility under RIRSA

As of July 1, 2012, retirement eligibility dates will change.

New and non-vested employees: If on June 30, 2012 you **do not** have five years of contributing service credit, you may retire at your Social Security normal retirement age. To find your Social Security normal retirement age, visit <http://www.ssa.gov/retire2/retirechart.htm> (Note: Under RIRSA, Social Security normal retirement age will not be higher than age 67).

Vested employees with five or more years of service: If on June 30, 2012, you have five or more years of contributing service credit, you will receive “credit” (in technical terms, a “proportional downward adjustment”) toward an earlier retirement date, based on the years of service prior to July 1, 2012. Your minimum retirement age is 59 (**See the box below for an example calculation of proportional adjustment**).

Calculating your “credit” (also known as “proportional downward adjustment”)

To calculate your “credit” toward an earlier retirement date under RIRSA, subtract your Article 7 retirement eligibility age from your Social Security normal retirement eligibility age. Then, make a fraction using your total years of contributing service through June 30, 2012 as the top number (the numerator) and your projected total years of contributing service through your Article 7 retirement date as the bottom number (the denominator). Multiply this fraction by the difference between your Article 7 retirement eligibility age and your Social Security normal retirement eligibility age. Then, subtract the answer from your Social Security normal retirement eligibility age. This is your new adjusted retirement age (if it is lower than 59, your new age is 59).

Vested employees with 10 or more years of service: If on June 30, 2012 you have 10 or more years of contributing service credit, you may choose to retire at your Article 7 retirement eligibility date if you continue to work and contribute until that date. If you choose this option, your retirement benefits will be calculated using the benefit you have accrued as of June 30, 2012 — you will accumulate no additional defined benefits after this date, but your benefit will be paid without any actuarial reduction. You will be required to make contributions to the defined benefit plan until you retire.

As an additional retirement option, when you are within five years of reaching your RIRSA retirement eligibility date and have 20 or more years of service, you may choose to retire at any time with an actuarially reduced benefit.

Example RIRSA calculation using ‘proportional downward adjustment’

The following example shows how RIRSA applies “credit” (a “proportional downward adjustment”) toward a new retirement age:

I am a teacher and as of June 30, 2012, I will be age 56, with 26 years of service and will have an accrued retirement allowance of 51.25 percent of my average salary. As of June 30, 2012, my current salary is \$75,000 and my average salary between June 30, 2007 and June 30, 2012 is \$72,115.93. My average salary between June 30, 2012 and June 30, 2017 is anticipated to be \$78,060.60 (this reflects an annual two percent salary increase). My average salary between June 30, 2013 and June 1, 2018 will be \$79,621.81 (reflects an annual increase in salary of two percent). Under the previous laws, my retirement date was approximately age 60, and under the proportionality rule of RIRSA, I could retire at approximately age 61. However, I would still like to retire at age 60. What are my options under RIRSA?

Under RIRSA, this member has three choices:

Retirement Choice One

Because this teacher has at least 10 years of service as of June 30, 2012, he may retire at his previous retirement age of 60. He will receive the defined benefit amount he has accrued as of June 30, 2012. In his case, that will be an annual benefit of 51.25 percent of \$72,115.93, which is \$36,959.42. He will also receive any amounts accumulated in his defined contribution account.

By taking this option, he will not receive any additional accruals after July 1, 2012 (though he will still be required to make contributions). In addition, any increase in salary after July 1, 2012 will not be factored into calculating his final average salary.

Retirement Choice Two

Because this teacher is within five years of his retirement date as adjusted downward under RIRSA — and he has at least 20 years of service — he may retire at age 60 with an actuarially reduced retirement benefit.

If he chooses this option, his retirement benefit will be calculated including accruals after July 1, 2012, and any salary increases after that will be included in his final average salary. In this case, his final average compensation, assuming a two percent annual increase in salary, will be approximately \$78,060.60 and his accrued benefit will be 55.25 percent, resulting in an annual defined benefit of 55.25 percent of \$78,060.60, which is \$43,128.48.

But since he will receive his benefit one year earlier than his new retirement age, his benefit amount will be actuarially reduced by approximately nine percent, meaning he will receive a benefit of approximately \$39,246.92. He will also receive any amounts accumulated in his defined contribution account.

Retirement Choice Three

This teacher also has a third retirement choice. He may choose to work until his new retirement age under RIRSA (61). In this case, his final average compensation, assuming a two percent annual increase in salary, will be approximately \$79,621.81 and his accrued benefit will be 56.25 percent. He will receive his full annual defined benefit of approximately \$44,787.27. He will also receive any amounts accumulated in his defined contribution account.

Note: ERSRI will calculate the different choices and you will be able to choose the one that is most beneficial to you.

Retiring in 2012?

If you are eligible to retire prior to July 1, 2012, RIRSA does not change your retirement eligibility. You can still retire on or after the day you are eligible and take with you all of the benefits you have accrued through your retirement date.

If your 2012 retirement eligibility date is after July 1, 2012, you may still retire on or after your original 2012 date, but you will not continue to accrue benefits after June 30, 2012 — though you will be required to continue making contributions to the system. You will receive the pension benefit you have accrued as of June 30, 2012, along with any amounts accumulated in your defined contribution account.

BHDDH registered nurses

Under RIRSA, BHDDH registered nurses may retire when they are at least 55 years old AND have a minimum of 25 years of contributing service. If, however, your Article 7 retirement eligibility date was prior to June 30, 2012, you may keep that eligibility date.

Correctional Officers

Under RIRSA, correctional officers may retire when they are at least 55 years old AND have a minimum of 25 years of contributing service. If, however, your Article 7 retirement eligibility date was prior to June 30, 2012, you may keep that eligibility date. Correctional officers who do not work for 25 years will not receive their pension benefit until they reach their Social Security normal retirement age.

State Police

Under RIRSA, State Police officers are eligible to retire once they have accrued a retirement benefit equal to 50 percent of their whole salary (see page 19), with mandatory retirement once they have accrued a retirement benefit equal to 65 percent of their whole salary.

Judges

Judges may retire at age 65 with 20 years of contributing service OR at age 70 with 15 years of contributing service.

If you've accrued it, you don't lose it.

While RIRSA makes some changes to retirement eligibility and retirement benefits going forward, under RIRSA, what *do not* change are the benefits you have accrued as of June 30, 2012 — no matter when you decide to retire.

MERS Police and Fire

Under RIRSA, MERS police and fire employees may retire when they are at least 55 years old AND have a minimum of 25 years of contributing service. However, if you are a MERS police officer or firefighter, are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, you may retire at age 52. Additionally, all police and fire employees have the option to retire at their eligibility date determined under the law in effect on June 30, 2012 and receive the pension benefits they have accrued as of June 30, 2012. Police officers and firefighters who work more than five years, but less than 25 years will not receive their pension benefit until they reach their Social Security normal retirement age.

MERS police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to his or her RIRSA eligibility date.

How much will my pension benefit be?

Under RIRSA, pension benefit accrual rates have changed for contributing service on or after July 1, 2012 — however, all benefit accruals earned *as of* June 30, 2012 are protected under RIRSA. **Remember:** If you accrued it, you don't lose it.

For state employees, teachers, municipal employees and BHDDH nurses, for each year that you work after July 1, 2012, you will receive an additional benefit accrual of one percent. Your pension benefit amount is calculated by multiplying your total benefit accruals by the average of your five highest consecutive years of compensation.

Service prior to July 1, 2012

To correctly calculate your pension benefit under RIRSA, you need to know your schedule so that you can determine your “frozen” service credit (your service credit as of Sept. 30, 2009). Below is a look at benefit accrual rates *prior to* July 1, 2012 for state employees, teachers and BHDDH nurses:

Schedule A (Vested before July 1, 2005; Eligible to retire at Sept. 30, 2009)	Schedule B (Vested after July 1, 2005)
Years 1-10: 1.7%	Years 1-10: 1.6%
Years 11-20: 1.9%	Years 11-20: 1.8%
Years 21-34: 3%	Years 21-25: 2%
Year 35: 2%	Years 26-30: 2.25%
	Years 31-37: 2.5%
	Year 38: 2.25%

Schedule A members (see definition on page 11) accrue benefits at Schedule A rates through June 30, 2012. Schedule AB members (see definition on page 12) accrue benefits at Schedule A rates through September 30, 2009 and at Schedule B rates from October 1, 2009 through June 30, 2012. For members vested after July 1, 2005, benefit accrual rates are earned on total service credit as of June 30, 2012 under Schedule B (this includes Schedule B1 and B2 employees).

Correctional officers

Under RIRSA, most correctional officers will earn a two percent accrual rate for each year of contributing service, and pension benefits will be calculated on the five highest consecutive years of salary. Officers who have completed 25 years of service on or before June 30, 2012 will continue to receive the benefit accrual rate under previous law for years 31-35 of service — six percent at year 31, five percent at year 32, four percent at year 33, three percent at year 34 and two percent at year 35 of service. In addition, under RIRSA, the maximum pension benefit for a correctional officer is now 75 percent of final average salary. Benefits accrued *as of* June 30, 2012 are protected under RIRSA.

MERS employees

MERS employees earned a benefit accrual of two percent for each year of service credit prior to July 1, 2012, and benefits were calculated using the three highest consecutive years of salary. Benefits accrued at that rate as of June 30, 2012 are protected under RIRSA. The benefit on June 30, 2012 — based on three consecutive years of average compensation and service as of June 30, 2012 — is preserved until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation.

MERS police and fire

Under the law in effect on June 30, 2012, MERS police and fire employees accrued benefits calculated using the three highest consecutive years of salary. Benefits accrued at that rate as of June 30, 2012 are protected under RIRSA. As of July 1, 2012, benefits accruals are calculated using the five highest consecutive years of salary.

State police

Under RIRSA, state police officers will earn a two percent accrual rate for each year of contributing service. Benefits will be calculated on the average of the highest five consecutive years of salary, including up to 400 hours of mandatory overtime service. Benefits accrued *as of* June 30, 2012 are protected under RIRSA.

Judges

Judges hired after July 1, 2009 will earn up to 80 percent of their final average compensation. Benefits will be calculated on the average of the highest five consecutive years of salary. Benefits accrued *as of* June 30, 2012 are protected under RIRSA.

Cost-of-Living Adjustments (COLA) Under RIRSA

COLA payments for most retirees are scheduled to begin the month after the third anniversary of your date of retirement or when you reach your Social Security normal retirement age, whichever is later.

RIRSA suspends the COLA for all state employees, teachers, BHDDH nurses, correctional officers, judges and state police until the plans' funding level for all groups, calculated in the aggregate, exceeds 80 percent. For MERS, COLAs for eligible employees are suspended until the funding level of the individual plan exceeds 80 percent — MERS plans are not aggregated (Individual plan funding levels may be found in the annual MERS actuarial valuation at www.ersri.org).

For members with a suspended COLA, an interim COLA will be calculated and awarded using the following formula at five-year intervals.

All COLAs will be calculated and awarded based on the system's investment returns. A COLA is determined based on the plan's five-year average investment rate of return minus 5.5% and will range from zero to four percent. COLAs will be awarded only on the first \$25,000 (indexed) of a member's pension benefit. COLAs scheduled to be paid prior to July 1, 2012 will be paid.

Reduced Benefit Eligibility Early Retirement

State employees and public school teachers may retire with a reduced pension benefit if they have 20 years of service credit and they are within five years of their RIRSA retirement date. The actuarially reduced benefit will be calculated based on how close the member is to his or her RIRSA eligibility date.

If you choose this type of retirement, your pension benefit will be calculated according to your years of contributing service and your five highest consecutive years of salary. A reduction in that benefit amount is then calculated on an actuarial basis.

If you wish to terminate employment, but wait until your RIRSA retirement eligibility date to begin collecting your pension, you will receive your full benefit amount without actuarial reduction.

Deferring Your Retirement

Under RIRSA, if you leave your job and terminate employment with a participating employer but are vested in the system, you may begin collecting your pension benefit when you meet your minimum retirement eligibility criteria — as long as you do not withdraw your contributions.

It is important to know that once you leave active employment, ERSRI will not automatically begin sending your pension benefit once you are eligible to collect your benefit. It is your responsibility to notify ERSRI of your eligibility and to fill out a retirement application approximately three to six months before you are eligible to begin collecting your benefit.

Note: If you do not apply for your pension benefit when you first become eligible, you will not receive retroactive benefits to the date when you were initially eligible. Deferred benefits are payable beginning on your eligibility date or on the first of the month in which your completed application is received by ERSRI, whichever is later.

Understanding Retirement Options

When applying for retirement, members may select the retirement option that is best for their financial situation. What follows is a guide to available retirement options:

Service Retirement Allowance (SRA Plan)

When you choose the SRA Plan option, your pension benefit is calculated on your years of service credit and average salary as a participating employee. Under this option, all pension benefit payments stop when you die. If you choose the SRA Plan, you cannot change your option once you have retired — this selection is final.

Under RIRSA, retirees who initially chose Option One or Option Two and have already made a one-time option change will be allowed to make a change to the SRA Plan one time prior to June 30, 2013, provided the beneficiary is still alive.

Option One: Joint and Survivor Full

When you choose Option One, you are choosing to receive a reduced monthly pension benefit and to leave your beneficiary your *full* monthly pension benefit when you die. Your beneficiary will receive this amount for his or her entire life.

Because your beneficiary will receive this amount for life, you will receive an actuarially reduced benefit amount. This reduced amount is determined primarily by the age difference between you and your beneficiary.

If you choose Option One, you may change your option one time, as long as you and your beneficiary have not divorced (if you were married at the time of your retirement).

However, you are not allowed to choose the SRA Plus option. *Under RIRSA, retirees who initially chose Option One and have already made a one-time option change will be allowed to make a change to the SRA Plan one time prior to June 30, 2013, provided the beneficiary is still alive.*

Option Two: Joint and Survivor Half

When you choose Option Two, you are choosing to receive a reduced monthly pension benefit and to leave your beneficiary *half* of your monthly pension benefit when you die. Your beneficiary will receive this amount for his or her entire life.

Because your beneficiary will receive this amount for life, you will receive an actuarially reduced benefit amount. This reduced amount is determined primarily by the age difference between you and your beneficiary; however, the reduction to your pension benefit under this option is less than what it would be if you chose Option One.

If you choose Option Two, you may change your option one time, as long as you and your beneficiary have not divorced (if you were married at the time of your retirement). However, you are not allowed to choose the SRA Plus option. *Under RIRSA, retirees who initially chose Option Two and have already made a one-time option change will be allowed to make a change to the SRA Plan one time prior to June 30, 2013, provided the beneficiary is still alive.*

Service Retirement Allowance Plus (SRA Plus)

When you choose the Service Retirement Allowance Plus option — also known as the Social Security Supplemental option — a supplemental amount will be added to your pension benefit. This supplementary amount is determined based on your age at retirement and a percentage of an estimate of the average Social Security payment that a person might receive at the age of 62 (calculated on a national average figure).

During the month after you turn 62, your pension benefit amount will be reduced by the full national average amount of Social Security payment that a person might receive at the age of 62 (calculated on a national average figure). It is important to note that your pension will be reduced by the *full* estimated amount and not simply by the supplemental amount that you have been receiving.

Estimates of Social Security benefits used by ERSRI to calculate pension benefits are general estimates and are not guaranteed by ERSRI or by the Social Security Administration (SSA). This option is not related to your participation in Social Security or any programs of the SSA.

Selection of this option is final, and may not be changed.

Note: This option is not available to any Police and Fire members, BHDDH nurses or any state employee, teacher or correctional officer who did not have 10 years of contributing service as of July 1, 2005. This option is also unavailable to anyone applying for a disability retirement.

Appendix: Sample Retirement Eligibility Calculations

Example: RIRSA retirement eligibility calculation for a state employee

A Schedule A member who began service with the state at age 28 (Date of birth: September, 1956) and has 27.75 years of total service credit as of June 30, 2012.

The first step is to determine the member's first point of retirement eligibility under the law in effect prior to September 30, 2009. As of September 30, 2009, the member had 25 years of total service credit. His first point of retirement eligibility would be at age 56, when the member has 28 years of service credit (According to the law prior to September 30, 2009, Schedule A members could retire at any age with 28 years of service. Under Article 7, the minimum retirement age became 62).

First, calculate the **Article 7 Eligibility date**:

1. Divide the member's current years of service (as of September 30, 2009) by number of years for first eligibility

$$25 \div 28 = 0.89$$

2. Take the difference between age 62 and the member's first age of retirement eligibility

$$62 - 56 = 6$$

3. Multiply the .89 from step 1 by the age difference in step 2

$$0.89 \times 6 = 5.34$$

4. Subtract the difference in step 3 from the Article 7 minimum retirement age of 62

$$62 - 5.34 = 56.66$$

The minimum retirement age under Article 7 would be 56 years, 7 months and 28 days, with a retirement date of May 28, 2013.

Note: *You can find your Article 7 retirement eligibility date by visiting www.ersri.org and logging in to your personal account. Choose the "My Account" tab, where you will find your schedule, years of service and a Microsoft Excel form that will calculate your Article 7 date.*

To calculate the **RIRSA Eligibility date**:

1. Subtract the retirement date under the Article 7 law from the Social Security normal retirement date (you can find your Social Security normal retirement date at <http://www.ssa.gov/retire2/retirechart.htm>). In this example, the member's Social Security normal retirement date is January 30, 2023.

$$\text{January 30, 2023} - \text{May 28, 2013} = 9 \text{ years, 8 months, 2 days (9.6721)}$$

- Calculate the length of service as of June 30, 2012. This becomes the numerator. Then, calculate the total projected service through your retirement age under Article 7. This becomes the denominator. So, after you have calculated the Article 7 retirement age, you would calculate the total number of years of service you would have if you worked up to that date. This becomes the bottom number in the fraction (denominator).

In our example pension calculation:

$$\frac{27.75}{28.67} \text{ (Projected service years through June 30, 2012)} \\ \text{(Project service years through this member's Article 7 eligibility date)}$$

The answer is .96

- Multiply the fraction in step 2 by the answer calculated in step 1. Subtract the result from the Social Security normal retirement date

$$.96 \times 9.6721 = 9.28$$

January 30, 2023 – 9 years, 3 months, 11 days = October 19, 2013

On October 19, 2013, the member would be 57 years, 0 months and 9 days.

However, under RIRSA, retirement age cannot be less than 59 years old, so 59 is the member's new retirement age under RIRSA.

Note: Under RIRSA, the member also has the option of retiring at his or her Article 7 date and receiving all benefits accrued as of June 30, 2012. If the member continues to work until his or her RIRSA eligibility date, the member's benefit will continue to accrue at one percent per year, and the member will also receive any accumulated contributions in the defined contribution plan.

Example: RIRSA retirement eligibility calculation for a teacher

A teacher with 19 years of service as of September 30, 2009 will be 60 in April, 2014. Under the law in effect as of September 30, 2009, she would have been eligible to retire at age 60.

First, calculate the Article 7 Eligibility date:

- Divide her current years of service as of September 30, 2009 by the number of years required to meet the first point of retirement eligibility

$$\frac{19.00}{24.00} = 0.79$$

2. Take the difference between age 62 (the minimum retirement age under the law in effect as of September 30, 2009) and the Schedule A member's first age of retirement eligibility (60 in this example)

$$62 - 60 = 2$$

3. Multiply the answer from number one (0.79) by the age difference of 2 years

$$0.79 \times 2 = 1.58$$

4. Subtract that answer from the new minimum age of 62

$$62 - 1.58 = 60.42$$

Her new minimum retirement age would be 60 years, 5 months (or a date of September 30, 2014).

To calculate the RIRSA eligibility date:

- 1 Subtract her retirement date under the law in effect as of September 30, 2009 from her Social Security normal retirement date (for her, the Social Security normal retirement date is April 30, 2020)

$$\text{April 30, 2020} - \text{September 30, 2014} = 5 \text{ years, 7 months (5.58)}$$

- 2 Calculate her years of service as of June 30, 2012. This becomes the numerator (the top number in the fraction). Then, determine her total projected years of service through her retirement age under the law in effect as of September 30, 2009. This becomes the denominator (the bottom number in the fraction)

$$\frac{22.00}{24.05} = 0.91$$

- 3 Multiply the answer from step 2 by the answer from step 1, and subtract the result from the Social Security normal retirement date

$$0.91 \times 5.58 = 5.08$$

$$66.00 - 5.08 = 60.92 \text{ OR}$$
$$66 \text{ years} - 5 \text{ years, 1 month} = 60 \text{ years, 11 months}$$

New RIRSA retirement eligibility date: March 30, 2015

This member will retain the benefit rate that she earned through June 30, 2012. Effective July 1, 2012, she accrues a benefit of 1 percent per year, and will also accumulate contributions in her defined contribution plan.

Example: RIRSA retirement eligibility calculation for a correctional officer

I am a correctional officer who is not eligible to retire as of June 30, 2012. How does RIRSA affect my retirement eligibility?

This member's retirement eligibility is age 55 AND a minimum of 25 years of contributing service within the Department of Corrections. Any member who completes at least five years of contributory service, but does not complete 25 or more years of service is eligible to retire at his or her Social Security normal retirement age.

Example: RIRSA retirement eligibility calculation for a Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) registered nurse

I am a BHDDH registered nurse who is 29 years old and has three years of service. How does RIRSA affect my retirement eligibility?

This member's eligibility is age 55 AND a minimum of 25 years of contributing service. In this case, the member may accumulate 25 years of service prior to reaching age 55, but must wait until age 55 to collect his or her retirement benefit. Any member who completes at least five years of contributory service, but does not complete 25 or more years of service is eligible to retire at his or her Social Security normal retirement age.

Example: RIRSA retirement eligibility calculation for a state police officer

I am a 47-year-old state police officer who has 15 years of service. How does RIRSA affect my retirement eligibility?

As of June 30, 2012, this member will have earned a pension benefit that is equal to 37.5 percent of her whole salary. Under RIRSA, she is eligible to collect her pension benefit when she attains a 50 percent accrued benefit — in her case when she is 53 years old. If she terminates her employment with the state prior to achieving a 50 percent accrued benefit, she will be eligible to begin collecting her pension when she reaches her Social Security normal retirement age.

RIRSA retirement eligibility for judges

Retirement eligibility for judges has not changed under RIRSA.

Example: RIRSA retirement eligibility calculation for a municipal employee (Closer to age 58 than 30 years of service)

A general municipal employee who began employment in 1988 has 24 years and six months (24.5) of service as of June 30, 2012 and is 56 years, 3 months old (56.25). Under the MERS retirement rules prior to RIRSA, a member may retire at any age with 30 years of service credit or at age 58 with 10 years of service credit. This member's retirement date prior to RIRSA would have been March 30, 2014. His Social Security normal retirement date is July 30, 2022, when he is 66 years, 4 months old. This member is closer to age 58 than he is to having 30 years of service.

To calculate this member's RIRSA eligibility age and date:

1. Subtract his retirement date under the law as of June 30, 2012 from his Social Security normal retirement date:

$$\text{July 30, 2022} - \text{March 30, 2014} = 8 \text{ years, 4 months} \quad (8.33)$$

2. Calculate the member's projected service through June 30, 2012. This will be the numerator (top number) in the fraction. Then, calculate the member's total projected service through the retirement age under the law in effect on June 30, 2012. This becomes the denominator (bottom number) in the fraction.

$$\frac{24.5}{26.25} = 0.93$$

3. Multiply the answer in step 2 by the answer calculated in step 1, and subtract the result from the Social Security normal retirement date.

$$0.93 \times 8.33 = 7.75 \quad (7 \text{ years, 9 months})$$

July 30, 2022 – 7 years, 9 months = October 30, 2014, at which point the member would be 58 years, 7 months old.

However, under RIRSA, retirement age cannot be less than 59 years old, so 59 is the member's new retirement age under RIRSA. His new retirement date is March 30, 2015.

**Example: RIRSA retirement eligibility calculation for a municipal employee
(Closer to 30 years of service than age 58)**

A general municipal employee who began employment in 1995 has 16 years and 9 months of service as of June 30, 2012 and is 42 years old. Under the MERS retirement rules prior to RIRSA, a member may retire at any age with 30 years of service or at age 58 with 10 years of service credit. His Social Security normal retirement eligibility date would be March 16, 2037, when he reaches the age of 67. This member is closer to attaining 30 years of service than he is to reaching age 58.

To calculate this member's RIRSA eligibility age and date:

1. Subtract his retirement date under the law as of June 30, 2012 from his Social Security normal retirement date:

March 16, 2037 – October 1, 2025 = 11 years, 5 months (11.42)

2. Calculate the member's projected service through June 30, 2012. This will be the numerator (top number) in the fraction. Then, calculate the member's total projected service through the retirement age under the law in effect on June 30, 2012. This becomes the denominator (bottom number) in the fraction.

$$\frac{16.75}{30.00} = 0.56$$

3. Multiply the answer in step 2 by the answer calculated in step 1, and subtract the result from the Social Security normal retirement date.

$$0.56 \times 11.42 = 6.40 \quad (6 \text{ years, } 4 \text{ months, } 24 \text{ days})$$

March 16, 2037 – 6 years, 4 months, 24 days = October 22, 2030

This member's new RIRSA retirement eligibility date is October 22, 2030.

Example: RIRSA retirement eligibility calculation for a MERS police and fire employee

I am a police officer currently in a 20-year plan. Under RIRSA, I must be at least 55 years old and have completed 25 years of service. I'm now 46 years old and have 18 years of service. When can I retire under RIRSA?

As of July 1, 2012, your eligibility for retirement as a police officer is 55 years old AND 25 years of service. However, since you have at least 10 years of service and are over 45 years old as of June 30, 2012 — and therefore you would have been eligible to retire prior to age 52 under the law in effect as of June 30, 2012 — you may retire at age 52 with the benefits that you have accrued through your retirement date.

Additional transition rules for MERS police and fire employees may apply. See page 17 for details.

Got questions?

The ERSRI staff is happy to assist with your questions about retirement. We invite you to visit the ERSRI website at www.ersri.org or to call ERSRI at (401) 462-7600.