

**MUNICIPAL EMPLOYEES'
RETIREMENT SYSTEM
OF LOUISIANA**

**YOUR
RETIREMENT
BENEFIT**

WHEN ARE YOU ELIGIBLE TO RETIRE?

HOW IS YOUR BENEFIT COMPUTED?

WHAT ARE YOUR OPTIONS?

Municipal Employees' Retirement System of Louisiana
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Baton Rouge, Louisiana 70809.

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THE BASICS

Members of Plan A are eligible for normal retirement with either (a) credit for twenty-five years of Plan A service, regardless of age, or (b) credit for ten years of service at the age of sixty years. (Members of Plan A are eligible for **early** retirement at any age if they have credit for twenty years of Plan A service; **early retirement benefits are actuarially reduced from normal retirement benefits and these reductions, which are not addressed herein, may be substantial and significant.**)

Members of Plan B are eligible for normal retirement with either (a) credit for thirty years of service, regardless of age, or (b) credit for ten years of service at the age of sixty years.

You may select the mode of retirement benefit payments you desire when you retire. In other words, **you decide how you want your benefits to be paid to you and/or your beneficiary.** The options available to you are the Maximum Benefit, Option No. 2, Option No. 3, and Option No. 4.

A knowledge and awareness of the following terminology will be helpful in understanding how retirement benefits are computed.

“Final compensation” means the average monthly earnings during the highest paid thirty-six consecutive months or joined months if service was interrupted. However, the earnings for the middle twelve months may not exceed 125% of the earnings for the first twelve months and the earnings for the final twelve months may not exceed 125% of the earnings for the middle twelve months.

“Final salary” means the average monthly earnings during the twelve-month period immediately preceding retirement.

You should also be aware of the following rules.

First, the actual retirement benefit paid to any retiree at the time of retirement, regardless of whether the max-

imum benefit or an optional mode of benefit payments is selected, may not exceed 100% of the retiree’s final compensation or his final salary, whichever is greater.

Second, you must select the mode of benefit payments at the time you retire and, if you select the Option No. 2, 3, or 4 mode of benefit payments, you must also select the option beneficiary at the time you retire. *ONCE YOU SELECT THE MAXIMUM OR THE OPTION NO. 2, 3, OR 4 MODE OF BENEFIT PAYMENTS YOU MAY NOT THEREAFTER CHANGE YOUR SELECTION. IN ADDITION, IF YOU SELECT OPTION NO. 2, 3, OR 4, YOU MAY NOT THEREAFTER CHANGE THE PERSON DESIGNATED AS THE OPTION BENEFICIARY EVEN IF THAT PERSON DIES BEFORE YOU DO.* If you are married at the time you retire, your spouse must sign your retirement application.

THE MAXIMUM BENEFIT. WHAT IS IT? HOW IS IT COMPUTED? HOW DOES IT WORK?

IN PLANA, the Maximum Benefit is determined by multiplying the member’s final compensation by 3%, and then multiplying that number by the number of member’s years of credited service. (Substitute 3 1/2% for each year of elective service.) The Maximum Benefit is paid to the retiree until he dies and all benefit payments stop upon the retiree’s death. (If the retiree dies before he has received in benefit payments an amount equal to what he contributed to the system during his career, the balance will be paid to his designated beneficiary or, if none, his estate.)

For example, the Maximum Benefit for a member who has credit for 27 years of service and whose final compensation is \$37,500 per year would be computed as follows:

$$\$37,500 \times 3\% \times 27 = \$30,375 \text{ annual retirement benefit.}$$

For someone who has credit for 30 years of service and whose final compensation is \$27,000 per year, the benefit would be:

$$\$27,000 \times 3\% \times 30 = \$24,300 \text{ annual retirement benefit.}$$

IN PLAN B, the Maximum Benefit is determined by multiplying the member's final compensation by 2%, and then multiplying that number by the number of member's years of credited service. (Substitute 2 1/2% for each year of elective service.) The Maximum Benefit is paid to the retiree until he dies and all benefit payments stop upon the retiree's death. (If the retiree dies before he has received in benefit payments an amount equal to what he contributed to the system during his career, the balance will be paid to his designated beneficiary or, if none, his estate.)

For example, the Maximum Benefit for a member who is at least 60 years of age, who has credit for 27 years of service, and whose final compensation is \$37,500 per year would be computed as follows:

$$\$37,500 \times 2\% \times 27 = \$20,250 \text{ annual retirement benefit.}$$

For someone who has credit for 30 years of service whose final compensation is \$27,000 per year, the benefit would be:

$$\$27,000 \times 2\% \times 30 = \$16,200 \text{ annual retirement benefit.}$$

REMEMBER, to compute a Maximum Benefit we use a member's "final compensation" and the benefit may not exceed 100% of the retiree's "final compensation" or his "final salary", whichever is greater. **ALSO REMEMBER** that payment of the Maximum Benefit stops upon the death of the retiree and no other benefits are payable after that time.

**THE OPTION NO. 2 BENEFIT. WHAT IS IT?
HOW IS IT COMPUTED?
HOW DOES IT WORK?**

The Option No. 2 mode of benefit payments provides for a benefit to continue to be paid to someone else after the retiree dies. With the Option No. 2 mode of benefit payments, whatever is being paid to the retiree at the time of his death will continue to be paid to the option beneficiary for the rest of that person's life.

Selection of Option No. 2 requires that benefits be actuarially reduced from the Maximum Benefit. This

reduction is based on the age of the retiree and the option beneficiary at the time of retirement. The reduction is a somewhat complicated computation and may only be done by the retirement system office. However, a couple of examples may be helpful.

Assume the following facts for a member of Plan A: he is 55 years of age at the time he retires; he selects his wife, who is 52 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$25,792 per year until he dies and then his wife, if she survives him, will be paid \$25,792 per year until she dies.

For a member of Plan A who is 58 years of age at the time he retires, who selects his wife who is then 56 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$20,244 until his death and then \$20,244 would be paid to his wife each year until her death.

Assume the following for a member of Plan B: he is 62 years of age at the time he retires; he selects his wife, who is 59 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$16,128 per year until he dies and then his wife, if she survives him, will be paid \$16,128 per year until she dies.

For a member of Plan B who is 65 years of age at the time he retires, who selects his wife who is then 63 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$12,599 until his death and then \$12,599 would be paid to his wife each year until her death.

**THE OPTION NO. 3 BENEFIT. WHAT IS IT?
HOW IS IT COMPUTED?
HOW DOES IT WORK**

The Option No. 3 mode of benefit payments also provides for a benefit to continue to be paid to someone else after the retiree dies. With the Option No. 3 mode

of benefit payments, one-half of whatever is being paid to the retiree at the time of his death will continue to be paid to the option beneficiary for the rest of that person's life.

Selection of Option No. 3 also requires that benefits be actuarially reduced from the Maximum Benefit. Here again, the reduction is based on the age of the retiree and the option beneficiary at the time of retirement. As with Option No. 2, the reduction may only be computed by the retirement system office. The following examples, similar to those used in the description of Option No. 2, may be helpful.

Assume the following for a member of Plan A: he is 55 years of age at the time he retires; he selects his wife, who is 52 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$27,896 per year until he dies and then his wife, if she survives him, will be paid \$13,948 per year until she dies.

For a member of Plan A who is 58 years of age at the time he retires, who selects his wife who is then 56 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$22,087 until his death and then \$11,044 would be paid to his wife each year until her death.

Assume the following for a member of Plan B: he is 62 years of age at the time he retires; he selects his wife, who is 59 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$17,956 per year until he dies and then his wife, if she survives him, will be paid \$8,978 per year until she dies.

For a member of Plan B who is 65 years of age at the time he retires, who selects his wife who is then 63 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$14,174 until his death and then \$7,087 would

be paid to his wife each year until her death.

WITH BOTH Option No. 2 and Option No. 3, if a retiree receives a cost-of-living adjustment prior to his death, that increase will continue to be paid, either in full or one-half, to the option beneficiary. For example, if the original benefit paid to an Option No. 2 retiree was \$1,000 per month but, because of cost-of-living increases, he was receiving \$1,200 per month at the time of his death, his option beneficiary will begin to receive \$1,200 per month after his death. Likewise, if the original benefit paid to an Option No. 3 retiree was \$1,000 per month but his benefit had increased to \$1,200 at the time of his death because of cost-of-living adjustments, his option beneficiary will begin to receive \$600 per month at the time of his death (one-half of what he was receiving at the time he died).

REMEMBER that with both Option No. 2 and Option No. 3, you must select the option beneficiary at the time that you retire. **That selection may not be changed after you retire and if the option beneficiary dies before the retiree, all benefit payments stop upon the death of the retiree.**

OPTION NO. 4 - THE "POP UP" OPTION AND MUCH MORE

With Option No. 4 a retiree may select some form of benefit payment other than the Maximum, Option No. 2, or Option No. 3 mode of payment. Option No. 4 allows for some other benefit to be paid either to the member or to the person he designates provided that the other benefit is the actuarial equivalent to the retiree's Maximum Benefit. All Option No. 4 selections must be reviewed by the retirement system's Actuary and then approved by the system's Board of Trustees.

Although a number of variations are allowed by Option No. 4, the most popular selection recently has become known as the "Pop Up" option. Use of the "Pop Up" option allows for a mode of benefit payments very similar to Option No. 2 or 3 except that if the person selected as the option beneficiary dies before the retiree, the benefit paid to the retiree after the death of the option beneficiary "pops up" to what the retiree's original Maximum Benefit would have been when he retired plus

any cost-of-living adjustments he may have received to date.

Sound complicated? Again, the use of the preceding examples may help.

Assume the following facts for a member of Plan A who selects Option No. 4.2 (which is similar to Option No. 2): he is 55 years of age at the time he retires; he selects his wife, who is 52 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$25,499 per year until he dies and then his wife, if she survives him, will be paid \$25,499 until she dies. However, if his wife dies before he does, his annual benefit will become (will “pop up” to) \$30,375 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

For a member of Plan A who selects Option No. 4.2 and who is 58 years of age at the time he retires, who selects his wife who is then 56 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$19,920 until his death and then \$19,920 would be paid to his wife each year until her death. However, if his wife dies before he does, his annual benefit will become (“pop up” to) \$24,300 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

Assume the following for a member of Plan B who selects Option No. 4.2: he is 62 years of age at the time he retires; he selects his wife, who is 59 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$15,799 per year until he dies and then his wife, if she survives him, will be paid \$15,799 until she dies. However, if his wife dies before he does, his annual benefit will become (“pop up” to) \$20,250 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

For a member of Plan B who selects Option No. 4.2 and who is 65 years of age at the time he retires, who selects his wife who is then 63 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annu-

al benefit paid to the retiree would be \$12,228 until his death and then \$12,228 would be paid to his wife each year until her death. However, if his wife dies before he does, his annual benefit will become (“pop up” to) \$16,200 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

Assume the following for a member of Plan A who selects Option No. 4.3 (which is similar to Option No. 3): he is 55 years of age at the time he retires; he selects his wife, who is 52 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$27,724 per year until he dies and then his wife, if she survives him, will be paid \$13,862 until she dies. However, if his wife dies before he does, his annual benefit will become (will “pop up” to) \$30,375 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

For a member of Plan A who selects Option No. 4.3 and who is 58 years of age at the time he retires, who selects his wife who is then 56 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$21,893 until his death and then \$10,947 would be paid to his wife each year until her death. However, if his wife dies before he does, his annual benefit will become (“pop up” to) \$24,300 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

Assume the following for a member of Plan B who selects Option No. 4.3: he is 62 years of age at the time he retires; he selects his wife, who is 59 years old at the time he retires, as his option beneficiary; he has credit for 27 years of service; his final compensation is \$37,500. This member will be paid \$17,737 per year until he dies and then his wife, if she survives him, will be paid \$8,869 until she dies. However, if his wife dies before he does, his annual benefit will become (“pop up” to) \$20,250 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

For a member of Plan B who selects Option No. 4.3 and who is 65 years of age at the time he retires, who

selects his wife who is then 63 years old as his option beneficiary, who has credit for 30 years of service, and whose final compensation is \$27,000 per year, the annual benefit paid to the retiree would be \$13,936 until his death and then \$6,968 would be paid to his wife each year until her death. However, if his wife dies before he does, his annual benefit will become (“pop up” to) \$16,200 upon the death of his wife (plus any cost-of-living adjustments he may have received by then).

All of the examples used in this pamphlet are provided for informational purposes only, are purely hypothetical, and should not be used to compare to your individual situation, no matter how similar your situation may be to the example. **EACH RETIREMENT CASE, INCLUDING YOURS, IS UNIQUE.** The examples are provided merely to demonstrate how the various modes of benefit payments operate.

You should be very careful when you decide which mode of retirement benefit payments you wish to receive. It is a decision that will be with you for the rest of your life and possibly for the rest of someone else’s life as well. Although we do not counsel members as to which mode of benefit payments they should select, we do what we can to make sure that a member has the information he needs to make an intelligent, well reasoned, and thought-out decision.

Once a member is within three years of retirement eligibility, he may request an estimate of what his retirement benefits will be. The estimate will set forth the Maximum Benefit, the Option No. 2, No. 3, No. 4.2, and No. 4.3 amounts. To obtain an estimate of retirement benefits, a written request, signed by the member, must be submitted to the retirement system office. An estimate requested within six months of a previously issued estimate will be subject to an administrative fee of \$50.00.

Please contact us, call, write, or send a fax, if you have questions not addressed here. We will do what we can to help.

Any questions you may have regarding your rights in the system and any other matter involving the system should be directed to the system’s office, preferably in writing. Please provide your social security number and the name of your employing municipality in all correspondence. Address correspondence to:

Municipal Employees’ Retirement System of Louisiana
7937 Office Park Boulevard
Baton Rouge, Louisiana 70809.

The system’s telephone number is **225-925-4810** or **800-820-1137** and the facsimile number is **225-925-4816**.

This document was prepared for informational purposes only and is valid as of July 1, 2004. All information is subject to legislative amendment and revision and/or change which may be adopted and implemented by the retirement system’s Board of Trustees. This information in no way constitutes a contract between the retirement system and any member of the retirement system. This is not a legal document and it is not intended to serve as a basis for legal interpretation. This pamphlet sets forth general rules and examples by which the retirement system operates. The examples used herein are illustrative only and may not be applied to any individual real-life situation. There may be specific statutes, rules, policies, or regulations which, when and where applicable, could cause results different from what are stated herein, based on individual and/or unique factual situations.