

# Mixed Service Retirement



# RETIRING WITH MIXED SERVICE

PERSI members who've worked as both a general member and as a police or firefighter member during their career accumulate service credit as both. This is called Mixed Service. A special formula is used to determine retirement benefits for members falling into this category. This brochure will help you better understand mixed service and the various retirement options available from PERSI. If you have any questions, call the PERSI Answer Center for assistance or make an appointment with a retirement specialist. Telephone numbers are listed on page 8.

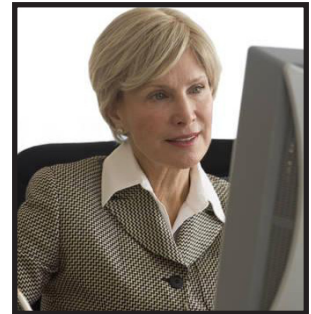
## Retirement Eligibility

When you are eligible for retirement depends on how many months of credited service you have accrued, your age, and the ratio of your general member and police officer/firefighter service.

## Service Retirement Age

Service Retirement Age is the age at which you may retire with a full unreduced benefit.

- Age 65 for General Members
- Age 60 for Police Officer/Firefighters
- Between Age 60 - 65 for members with mixed general and police/firefighter service.



You may take service retirement if:

- 1) you end employment on or after reaching service retirement age and have 60 months of service credit; **OR**
- 2) you have 60 months of service credit, and end employment before reaching service retirement age and defer drawing your pension until reaching service retirement age.

## Mixed Service

If you earned part of your credited service as a general member and part as a police officer or firefighter, you can determine the age at which you are eligible for early or service retirement by calculating your service retirement ratio. The service retirement ratio will also determine when you may retire with an unreduced benefit under the Rule of 80/90.



Vested PERSI members may retire with an unreduced benefit before reaching service retirement age if they meet service and age requirements. These requirements are known as the Rule of 80/90.

**Rule of 80** provides that police officers and firefighters are eligible for unreduced retirement when the sum of their years of service plus their age equals 80 or more.

**Rule of 90** provides that general members are eligible for unreduced retirement when the sum of their years of service plus their age equals 90 or more.

The rule number for members with mixed service is between 80 and 90 determined by a formula in Idaho statute. That formula is illustrated on the next page.

## Service Retirement Ratio Formula

The formula to find your service retirement ratio is:

$$\text{Police Officer/Firefighter Months of Service Credit} \div \text{by Total Months of Service} \\ = \text{Service Retirement Ratio}$$

## Example of Service Retirement Ratio Formula

Peter worked as a police officer for 60 months and as a general member for 300 months, for a total of 360 months of credited service. His service retirement ratio would be:

$$60 \text{ months} \div \text{by } 360 \text{ months} = .16667 \text{ service retirement ratio}$$

Using [Chart 1](#), Peter can tell he is eligible for early retirement at age 54 and for service retirement at age 64.

### Chart 1

Service Retirement Ratio	Service Retirement Age	Early Retirement Age
0.000 - 0.100	65	55
→ 0.101 - 0.300	64	54
0.301 - 0.500	63	53
0.501 - 0.700	62	52
0.701 - 0.900	61	51
0.901 - 1.000	60	50

Looking at [Chart 2](#), Peter can tell with a service retirement ratio of .16667, his age plus years of credited service must equal 88 for him to retire early with an unreduced benefit.

### Chart 2

Service Retirement Ratio	Rule of 80/90
0.000 - 0.050	90
0.051 - 0.150	89
→ 0.151 - 0.250	88
0.251 - 0.350	87
0.351 - 0.450	86
0.451 - 0.550	85
0.551 - 0.650	84
0.651 - 0.750	83
0.751 - 0.850	82
0.851 - 0.950	81
0.951 - 1.000	80



## Determining Your Benefit

Three factors make up the formula that determines your retirement benefit: 1) your highest average monthly salary during a base period of 42 consecutive months; 2) your months of credited service; and 3) a multiplier (2% for general members, 2.3% for police officer/firefighter members). [Note: If your date of last contribution was before July 1, 2000, your *multiplier* will be different. If before October 1, 1994 your *base period* will be different. Check with PERSI if this applies to you.]

With mixed service, your benefit is calculated using both the general member and police officer/firefighter formulas. ***If you retire before reaching service retirement age, and if you have not met the Rule of 80/90, early retirement reductions will apply.***

### EXAMPLE

Highest average monthly salary	\$2,000.00
x general member multiplier	x .02
	= \$40.00
x total months of credited service as a general member	x 300
= Annual Benefit as General Member	= \$12,000.00



From the example on page 2, we know Peter worked 300 months as a general member and 60 months as a Police / Firefighter member.

Same highest average monthly salary	\$2,000.00
x Police/Firefighter multiplier	x .023
	= \$46.00
x total months of credited service as a Police/Firefighter Member	x 60
= Annual Benefit as Police/Firefighter	= \$2,760.00



Add both annual benefits	\$12,000.00
	+ \$2,760.00
= Annual Benefit with Mixed Service	= \$14,760.00

***This example is for illustrative purposes only, actual amounts will vary.***

divided by 12 months	÷ 12
= Monthly Benefit with Mixed Service	= \$1,230.00

## Retirement Allowance Options

The option you choose at retirement will determine the payments you will receive for the remainder of your lifetime, as well as what your Contingent Annuitant, if any, will receive after your death. You have several options from which to choose. Each option provides a different payment. If you are married, PERSI rules require your spouse to sign the paperwork agreeing to the retirement option you select. All signatures must be notarized. *PERSI offers notary service in each office at no charge to members.*

## Regular Retirement Allowance

This is a monthly benefit payable to you for your lifetime only.

## Options 1 and 2 Contingent Annuitant Allowances

These options allow you to designate a Contingent Annuitant (CA) to receive a monthly benefit after your death. Most married people select their spouse as their CA; however, you may choose anyone you wish. (Pets, organizations, or a yet-to-be-born person such as a future grandchild cannot be named as a CA.) With each of these options, a reduced monthly payment is made to you until your death and a payment is made to your CA thereafter. The amount of the reduction (compared to your regular retirement allowance) is determined by the age difference between you and your CA.

Option 1 provides your CA with 100% of the monthly amount you had been receiving for the remainder his/her life.

Option 2 provides your CA with 50% of the monthly amount you had been receiving for the remainder his/her life.

## Option 3 Social Security Adjustment Allowance

This is available only to those who retire before Social Security Full Retirement Age (SSFRA). It provides an increased retirement allowance before SSFRA and a reduced allowance after SSFRA. It is paid to you for your lifetime only. SSFRA is 65 for those born in 1937 or earlier and between the ages of 65-67 for those born later.

To calculate a Social Security adjustment allowance, your PERSI benefit amount is adjusted or accelerated based on the Personal Earnings and Benefit Estimate Statement (PEBES) you get from Social Security for SSFRA.\* The amount of the acceleration is based on your age at the time of retirement reduced by the number of years you are away from SSFRA.

***An important thing to understand about the Social Security option is when you reach SSFRA, your PERSI benefit will drop, often significantly...in some cases, it could even drop to zero.***

## Option 4A and 4B Social Security Adjustment with Contingent Annuitant Allowances

These options provide an increased retirement allowance before your SSFRA, and provide your Contingent Annuitant with a monthly allowance after your death.

Option 4A provides your CA with 100% of the monthly amount you had been receiving for the remainder his/her life.\*\*

Option 4B provides your CA with 50% of the monthly amount you had been receiving for the remainder his/her life.\*\*

\* For PERSI to calculate any of the Social Security options, the member must provide a Social Security quote that assumes no future earnings.

\*\* If you were to die before reaching SSFRA, your CA would receive either 100% or 50% of your benefit (depending on the option you selected) until *you* would have reached SSFRA (had you lived); on that date, your CA's benefit would be reduced for the rest of his/her life. Under the Social Security option, the PERSI benefit drops at SSFRA regardless of who is receiving benefits (i.e., you or your CA).

The chart below illustrates the differences between the retirement options. *It is for comparison purposes only and may not reflect what your particular benefit might be. A variety of factors are used in calculating retirement benefits, so member benefits can differ.*

## RETIREMENT OPTION COMPARISON EXAMPLE

**Example** →

- Member is age 60
- CA is age 59
- Member's estimated Social Security benefit is \$800 a month at age 66.

Retirement Option	Member's Monthly Benefit	CA's Monthly Benefit After Member's Death
<b>Regular Retirement</b>	\$1000	\$0
Option 1 - 100% CA	\$848	\$848
Option 2 - 50% CA	\$926	\$463
<b>Option 3 - Social Security</b>		
Until Member's 66 <sup>th</sup> Birthday	\$1536	\$0
After Member's 66 <sup>th</sup> Birthday	\$736	\$0
<b>Option 4a - Social Security with 100% CA</b>		
Until Member's 66 <sup>th</sup> Birthday	\$1336	\$1336
After Member's 66 <sup>th</sup> Birthday	\$536	\$536
<b>Option 4b - Social Security with 50% CA</b>		
Until Member's 66 <sup>th</sup> Birthday	\$1430	\$715
After Member's 66 <sup>th</sup> Birthday	\$630	\$315

### ADDITIONAL RETIREMENT INFORMATION

#### "Pop Up"

If you select a retirement option that includes a Contingent Annuitant (CA) and your CA predeceases you, your monthly payment may revert to the regular retirement allowance. This is called a "pop up." To qualify, the date of your last contribution must have been July 1, 1992 or later, and your retirement date must have been on or after October 1, 1992.

#### Contingent Annuitant vs. Beneficiary

The person named as your CA will receive a monthly allowance for the rest of his/her life should you predecease them and choose Option 1, 2, 4a or 4b when you retire.

The person named as your beneficiary may receive a lump sum payment of your employee contributions and interest remaining in your PERSI account should you and your CA (if applicable) both die before the balance has been paid out. Generally, if you or your CA have received retirement payments for 2-3 years, your contributions plus interest would be exhausted so there would be no death benefit.

You may select a beneficiary at any time; but can only name a CA at retirement. You should consider whether it makes sense to name the same person as a beneficiary and as a CA.

#### Changing Your Option

After you retire, the retirement option you chose can be changed only under certain circumstances.

- You have 5-business days from the day you receive your first retirement benefit payment to change your retirement option for any reason. To do this, ***you must notify PERSI in writing of your change within that 5-day period.***

- If you were not married at the time you retired, but have since married and want to name your spouse as your contingent annuitant, you can change your option. You must file for the change *no later* than one year from the date of your marriage. The change will become effective 90 days after the date of your election. Your new benefit amount will be calculated based on the new option, your age, and the age of your new spouse CA.
- If you chose a CA option at retirement naming your then spouse as your contingent annuitant and that spouse has since died you can make a change. If you remarry, you can designate your new spouse as the contingent annuitant and choose a new retirement option. Only your new spouse can be named as the CA. You must file your application *no later* than one year from the date of the marriage. The change will become effective 90 days after the date of your election; at that time your benefit will be adjusted based on the “popped up” (see page 5 ) regular retirement benefit and the age of the new CA.
- If you divorce, remarry, and your former spouse waives his/her contingent annuitant rights, you can name your new spouse as your CA. You must file for the change no later than one year from the date of the marriage. The change will become effective 90 days after the date of your election. Your benefit amount will be recalculated based on the new option, your age, and the age of your new spouse.

***Except for these circumstances, your choice is irrevocable.***

### **Employment After Retirement**

Once you retire, you may work for any private-sector employer as long as you want and for as many hours as you want without affecting your retirement benefits. However, if you want to work for any employer belonging to PERSI restrictions apply:

#### **Break In Service and No Promise of Future Employment**

If you are an early retiree (younger than age 65, or 60 for police/PERSI firefighters), Idaho Code 59-1356 (1) requires that:

1. You have at least a 90-day break between retirement and reemployment with the same employer regardless of the number of hours worked; AND
2. Your employer cannot make any promise of future employment to you when you leave employment; AND
- 3) You will not be considered as having separated from service if you perform any work in any capacity (even as a contractor, temporary employee, or volunteer) for the same employer during the 90-day break.

Such a break is not required if you retire at age 65 or later (age 60 for police/firefighters).

***If you are an early retiree and return to work for the same employer within 90 days, any pension benefit payments received plus interest must be returned to PERSI.***

*State employees should remember the State of Idaho is considered one employer.*

## 20-Hour-Per-Week Limit

If you want to work for a PERSI employer and continue receiving your monthly pension payments, you cannot work 20 hours or more per week (teachers working a half-time contract or more) for 5 consecutive months or more. Doing so means your monthly retirement payments must stop, and both employee and employer contributions must be paid to PERSI from the beginning date of reemployment. You must also repay all benefit payments plus interest once you reestablish eligibility. This applies to all retirees regardless of age.

Once employment ends, contributions stop and you may once again begin receiving your original pension benefits. A separate amount based on your reemployment period will be added to your benefit.

If your period of reemployment ends up being less than 5 months, PERSI will return contributions to you, your employer will receive a credit for contributions made, and you will receive retroactive benefit payments covering the reemployment period. If you are working less than 20 hours per week or less than 5 consecutive months, no contributions are required and you will continue to receive your monthly pension payments.

## Death After Retirement

If you choose a Regular Allowance or Option 3 at retirement (options which are paid for your lifetime only) and you have not yet received all of your employee contributions and interest at the time of your death, the balance remaining in your PERSI Base Plan account will be paid to your beneficiary. If you choose Option 1, 2, 4A or 4B at retirement, your Contingent Annuitant will receive a lifetime monthly allowance beginning the month *following* your death. If both you and your Contingent Annuitant die before your contributions and interest have been paid out, the balance in your account will be paid to your beneficiary.

PERSI should be notified as quickly as possible after the death of a retiree. Any monthly benefit payments received after the month of the death must be returned. This applies even if a CA retirement option was selected because certain forms must be signed by the CA before they can begin receiving benefit payments.

## Cost of Living Allowances

The Retirement Board considers a Cost-of-Living-Adjustment (COLA) to Base Plan retirement benefits annually. If the State Legislature approves the COLA, it becomes effective March 1<sup>st</sup> each year. COLAs are meant to help benefits keep pace with inflation.

COLAs are tied solely to the Consumer Price Index (CPI) and may not exceed the CPI or 6 percent, whichever is less. Although extremely rare, the CPI can be a negative number. If the CPI is negative, it could result in a negative COLA. For some retirees, this may result in a minimal or zero adjustment. By law, a retiree's benefit cannot be reduced below its original amount even if there is a negative COLA.

The first year you are retired, you may receive a percentage of the full COLA depending on the date of your last contribution and your actual retirement date. Partial COLAs are based on a formula using a one-twelfth (1/12) "credit" per month as illustrated below:

**Example:** If you terminated employment August 31<sup>st</sup> and retired September 1<sup>st</sup>, you were retired 50 percent of the year between March 1<sup>st</sup> and March 1<sup>st</sup>. If the COLA was 6 percent, you could receive 6/12 (half) of the COLA. *This example assumes a positive CPI for the year.*

## Taxes

At retirement you will be provided with an Internal Revenue Service (IRS) W-4P withholding form. Unless you specify "no withholding" on the form or choose a specific marital status and number of exemptions, the federal income tax on your monthly benefit will be withheld at the rate appropriate for a married person with three exemptions. If you do not complete the form, your withholdings will also be at the rate of married with three exemptions, and no state tax will be withheld.

IRS Publication 575 discusses pension income tax liabilities. You are urged to read this publication and/or review it with a tax specialist. Taxes were already withheld from PERSI contributions made *prior to* July 1, 1983. If this applies to you, a percentage of your monthly benefit will not be taxed.

Each January, you will receive a 1099R notice from PERSI showing what your retirement distributions were for the tax year. This is a document you will need when filing your income taxes, so keep in a safe place.

*Contact PERSI if you have questions about mixed service or other retirement questions. Brochures about PERSI benefits are available on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).*

The Public Employee Retirement System of Idaho  
has three offices to serve you.

**Treasure Valley**  
607 North 8<sup>th</sup> Street  
Boise, Idaho 83702

**North Idaho**  
2005 Ironwood Pkwy, Suite 226  
Coeur d'Alene, Idaho 83814

**Eastern Idaho**  
850 E Center, Suite D  
Pocatello, Idaho 83201

1-800-451-8228 or 208-334-3365

The information in this booklet is also available  
on PERSI's website at [www.persi.idaho.gov](http://www.persi.idaho.gov)

*The information in this booklet is based on 2011 law. It is intended to explain PERSI retirement options as simply and accurately as possible. If there is any discrepancy between this publication and the law, the provisions of the law will prevail. Firefighters' Retirement Fund, Idaho Falls City Police, and Boise City Police may have different benefits.*

