

Rhode Island Retirement Security Act of 2011

Teachers

Employees' Retirement System of
Rhode Island



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Rhode Island Retirement Security Act of 2011 (RIRSA)

»» As of July 1, 2012, RIRSA will fully take effect.

This presentation outlines the many changes that RIRSA brings to the Employees' Retirement System of Rhode Island (ERSRI).



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Agenda

Changes That Affect Everyone

Knowing Your Schedule

Schedule A Member

Schedule A/B Member

Schedule B Member

RIRSA Transition Rules

Questions and Answers



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Changes Affecting Everyone

▶ Combined Defined Benefit (DB) and Defined Contribution (DC)

Contributions	Defined Benefit (DB)	Defined Contribution (DC)
Employee	3.75%	5% or 7% (if not in Social Security)
Employer	19.29% (FY 2013)	1% or 3% (if not in Social Security)

▶ Retirement Age

- New retirement age will mirror Social Security Normal Retirement Age (SSNRA) not to exceed 67.
 - We refer to this date as your **RIRSA Date**.
- There are provisions to accommodate those close to retirement as well as those eligible to retire prior to 7/1/2012.



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Teacher Service Credit Calculation

Service Credit calculation as of 11/17/11

- ▶ Days in School Year 180
- ▶ 1 year – 135
- ▶ 9 mos. – 91
- ▶ 6 mos. – 67
- ▶ 3 mos. – 45

Governed by ERSRI
Regulation 10.

Service Credit calculation as of 11/18/11

- ▶ Service credit now prorated i.e., actual days reported divided by 180 days. For example:
 - ▶ 1 year – 180
 - ▶ 9 mos. – 135
 - ▶ 6 mos. – 90
 - ▶ 3 mos. – 45

- ▶ You'll only get credit for the days you're actually being compensated for



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Teacher Service Credit Calculation

Example

- ▶ Joe Teacher is able to retire as of November 9, 2013
- ▶ How much credit does he get for the 2014 school year?
- Step 1 – Count the number of days to November 9 from the beginning of the school year i.e., September 1st
$$= \underline{47 \text{ days}}$$
- Step 2 – Divide the number of school days by 180
$$\underline{47/180 = .2611}$$
- Step 3 – Multiply .2611 X 12 months
$$\underline{.2611 \times 12 = 3.1332}$$

The result is 3.1332 months, to get the days multiply .1332 X 30 days which is 4 days.

Therefore, Joe Teacher will get **3 months and 4 days credit for the 2014 school year.**



Changes Affecting Everyone

- ▶ **Cost of Living Adjustment (COLA)**
- ▶ If plan is less than 80% funded, COLA is suspended.
 1. Resumes annually at DOR anniversary (+1 month) when plan is greater or equal to 80% funded for eligible retirees.
 2. Calculated as 5 year smoothed investment return less 5.50%, with 0% Floor and 4.0% Cap.
 3. **COLA delayed until later of SSNRA or 3 years after retirement.**
 4. Applied to first \$25,000 of benefit, indexed.



Changes Affecting Everyone

- ▶ Cost of Living Adjustment (COLA)
- ▶ Interim 5 year provided and calculated as 5 year smoothed investment return less 5.50%, with 0% floor and 4.0% cap – 1st interval; may begin 1 / 1 / 18.
- ▶ When granted or resumed applied to existing eligible retirees month after anniversary of DOR.



Changes Affecting Everyone

▶ Benefit Accrual

- 1% per year

▶ Vesting

- 5 years of contributing service for Defined Benefit plan for new members and active members as of 7/1/12.



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Changes Affecting Everyone

▶ Optional Service Credit (Purchases)

- For credit prior to date of hire, purchase must be made within three years of date of hire.
- Purchase of official leave must be made within 3 years after leave was concluded (must return to work one year before purchase of leave).
- Purchase of pre- 6/30/2012 service credits must be made by 6/30/2015.



Changes Affecting Everyone

- Optional Service Credit (Purchases)
- Purchases are at full actuarial cost (with the exception of restoration of service, military service and salary deferral aka “*pay reduction days*”).
- Effective immediately, purchases for restoration of service credit, military service and deferral of salary are at 7.5% interest, compounded annually.
- All other purchases requested after 6/30/12 are at a new full actuarial cost (uses a 6.5% discount rate).
 - Purchases after 7/1/12 will be more expensive .



Changes Affecting Everyone

Optional Service Credit Example at Full Actuarial Cost

- ▶ Example Member – Schedule A/B
 - Current age is 51 at 6/30/2012
 - Annual Salary in 2012 = \$55,000
 - Contributed from 1/1/1988 – 12/31/2008 and had 20 years of contributory service.
- ▶ Was on official leave from 1/1/2009 to 12/31/2010 (2 years)
- ▶ At 6/30/2012 the member has:

20 YOS at 12/31/2008 under Schedule A	36%
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1½ additional YOS at 6/30/2012 Under Schedule B	3%
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Total Credit at 6/30/2012 = 21 ½ years	39%
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Changes That Affect Everyone

Optional Service Credit Example at Full Actuarial Cost

Request to purchase 2 years of leave without pay was received prior to June 30, 2012

\$55,000 (2012 salary)
X 20% (actuarial factor based on current age)

$\$11,000 \times 2$
Years =
\$22,000

Purchase adds 4% (2% per year under Schedule B) to frozen service credit as of 6/30/12

Total service credit of
 $39\% + 4\% =$
43%



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Changes Affecting Everyone

Optional Service Credit Example at Full Actuarial Cost

Request to purchase 2 years of leave without pay was received after June 30, 2012

Under RIRSA 11 member retirement age is 60 years 4 months actuarial factor is 0.10447

$\$55,000$ (2012 salary) X 0.10447

$\$5,746 \times 2$
years =
\$11,492

Purchase adds 2% (1% per year under RIRSA) to total service credit after 7/01/12

Total service credit of 39% + 2% =
41%



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Know your Schedule

- »» It is important to know whether you are Schedule A, Schedule B or Schedule A/B



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Know your Schedule

▶ Schedule A

- **Members vested before 7/1/05 with 10 years of contributory service.**
- Grandfathered under Schedule A if :
 - Eligible to retire by 9/30/09 with:
 - 28 years of service.
 - or
 - Age 60 with 10 years of contributing service.



Know your Schedule

▶ Schedule B

- **Members vested after 7/1/05 with 10 years of contributory service.**
- Grandfathered under Schedule B if :
 - Eligible to retire by 9/30/09 with:
 - ▶ Age 65 with 10 years of contributing service.
 - or
 - ▶ Age 59 with 29 years of service credit.



Know your Schedule

- Schedule A/B

- Schedule A members who had **10 years of contributory service prior to 7/1/2005.**

and

- Were **not** eligible to retire as of 9/30/2009.

- Called A/B because credits earned after 9/30/2009 were accrued under Schedule B.



Know your Schedule

▶ Schedule A

- Members vested before 7/1/05 with 10 years of contributory service.

▶ Schedule B

- Members vested after 7/1/05 with 10 years of contributory service.

◦ Schedule A/B

- Schedule A members who had 10 years of contributory service prior to 7/1/2005 and not eligible to retire as of 9/30/2009.



**As a Schedule A or A/B
member, how are you affected
by RIRSA?**



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As a Schedule A member, how are you affected by RIRSA?

- ▶ Eligibility to retire – no change. You may still retire based upon your original retirement eligibility; only if you are eligible by 09/30/2009.
- ▶ Compensation used to compute pension – no change. Based on 3 year average.



As a Schedule A member, how are you affected by RIRSA?

- ▶ Benefit rate – You retain the benefit rate that you have accrued as of 6/30/2012:
 - Years 1 – 10 1.7% each year
 - Years 11 – 20 1.9% each year
 - Years 21 – 34 3% each year
 - Year 35 2%
- ▶ Maximum benefit not to exceed 80%.
- ▶ Effective 7/1/2012 accrual rate is 1% per year.
- ▶ Effective 7/1/2012 participate in DC plan



As a Schedule A/B member, how are you affected by RIRSA?

- ▶ Article 7 Date – Uses this date enacted in the 2009 Session.
- ▶ Your new retirement eligibility age became age 62 but was proportionally scaled back based on the years of service as of 9/30/2009.
 - Were you closer to 28 years of service?
 - Were you closer to age 60 with 10 years of contributing service?



As a Schedule A/B member, how are you affected by RIRSA?

- ▶ ERSRI refers to this downward adjustment from age 62 as your “**Article 7**” age and date.
- ▶ Don’t know your Article 7 age?
- ▶ You can obtain your Article 7 age and date by going to our website, www.ersri.org
- ▶ Create your online retirement account.
- ▶ Log in with your username and password click on “My Account” (note years of service (YOS) as of 9/30/2009).



As a Schedule A/B member, how are you affected by RIRSA?

- ▶ Click on where it says:
 - If you are Schedule A State Employee and want to check your retirement eligibility: [Click here](#)
 - If you are Schedule A Teacher and want to check your retirement eligibility: [Click here](#)
 - If you are Schedule B State Employee and want to check your retirement eligibility: [Click here](#)
 - If you are Schedule B Teacher and want to check your retirement eligibility: [Click here](#)
- ▶ This will link you to a Microsoft Excel® sheet and you will be asked to input your date of birth, your service credit as of 9/30/2009 and your service credit as of 6/30/2012.
- ▶ The calculator will provide you your Article 7 and RIRSA dates.



Online Calculator Schedule A or B

Schedule A RIRSA Retirement Eligibility Calculator for Teachers

Enter Years 0	Enter Months 0	Enter Working Days 0	Service 0
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Be sure to use the calculator that applies to you.

Enter DOB
 Age at 9/30/2009 49.37
 Enter Service Credit as of 9/30/2009

Your estimated eligibility date is **February 9, 2021** at which point you will be 60 Years 8 Months and 26 Days old.

Your Social Security Normal Retirement Age is 67

Enter Service Credit as of 6/30/2012

Your estimated RIRSA eligibility date for full benefits is **December 28, 2022** at which point you will be 62 Years 7 Months and 14 Days old.

You may retire on **February 9, 2021** if you have at least 10 years of contributory service as of June 30, 2012. You will only receive accrued benefits as of June 30, 2012.

Important Messages



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As a Schedule A/B member, how are you affected by RIRSA?

- ▶ If your Article 7 date is prior to 7/1/2012 how are you affected by RIRSA?
- ▶ Eligibility to retire – no change. You may still retire based on your Article 7 retirement eligibility.
- ▶ Compensation used to compute pension – no change. Based on 5 year average salary.
- ▶ Effective 7/1/2012 participate in DC plan



As a Schedule A/B member, how are you affected by RIRSA

- ▶ If your Article 7 date is after 6/30/2012.
- ▶ Eligibility to retire – Your retirement eligibility age becomes your Social Security Normal Retirement Age (SSNRA) with a proportional downward adjustment based upon service credit as of 6/30/2012. ERSRI refers to this adjusted SSNRA as your **RIRSA age**.
- ▶ However, if RIRSA age is less than 59 it defaults to age 59.



As a Schedule A/B member, how are you affected by RIRSA?

- ▶ Compensation used to compute pension
 - 5 highest consecutive years
 - If more than ½ of total service is less than 30 hrs. per week but final average salary (FAS) includes 3 or more years which member worked more than 30 hrs.
 - Then FAS is 10 highest consecutive years.
- ▶ Effective 7/1/2012 participate in DC plan



As a Schedule A/B member, how are you affected by RIRSA?

Schedule A

Years	Accrual Rate
Years 1 – 10	1.7% each year
Years 11 – 20	1.9% each year
Years 21 – 34	3 % each year
Year 35	2 % each year

Schedule B

Years	Accrual Rate
Years 1 – 10	1.6% each year
Years 11 – 20	1.8% each year
Years 21 – 25	2.0% each year
Years 26 – 30	2.25% each year
Years 31–37	2.50% each year
Year 38	2.25%

- **Benefit rate** Service credit prior to 9/30/2009 based on **Schedule A**. Service credit from 10/1/2009 to 6/30/2012 based on **Schedule B**. Maximum benefit rate – 80%.
- Effective 7/1/2012 accrual rate is 1% per year.



RIRSA Transition Rules

Teachers

TRANSITION RULE 1

- ▶ This rule allows for an earlier retirement date provided:
 - You have **20 or more YOS**
 - You attained an age within **5 years of your RIRSA age**.
 - If you are able to select this early retirement eligibility, you will take a 9% benefit reduction per year from unreduced eligibility i.e. your SSNRA or adjusted SSNRA.

TRANSITION RULE 2

- ▶ This rule allows for an earlier retirement date provided you have completed **10 YOS** as of 6/30/12.
- ▶ You will retire with a **benefit determined as of 6/30/12**
- ▶ You will be able to begin receiving your benefit on your eligibility date determined as of 6/30/12
 - The eligibility date is your Article 7 date.



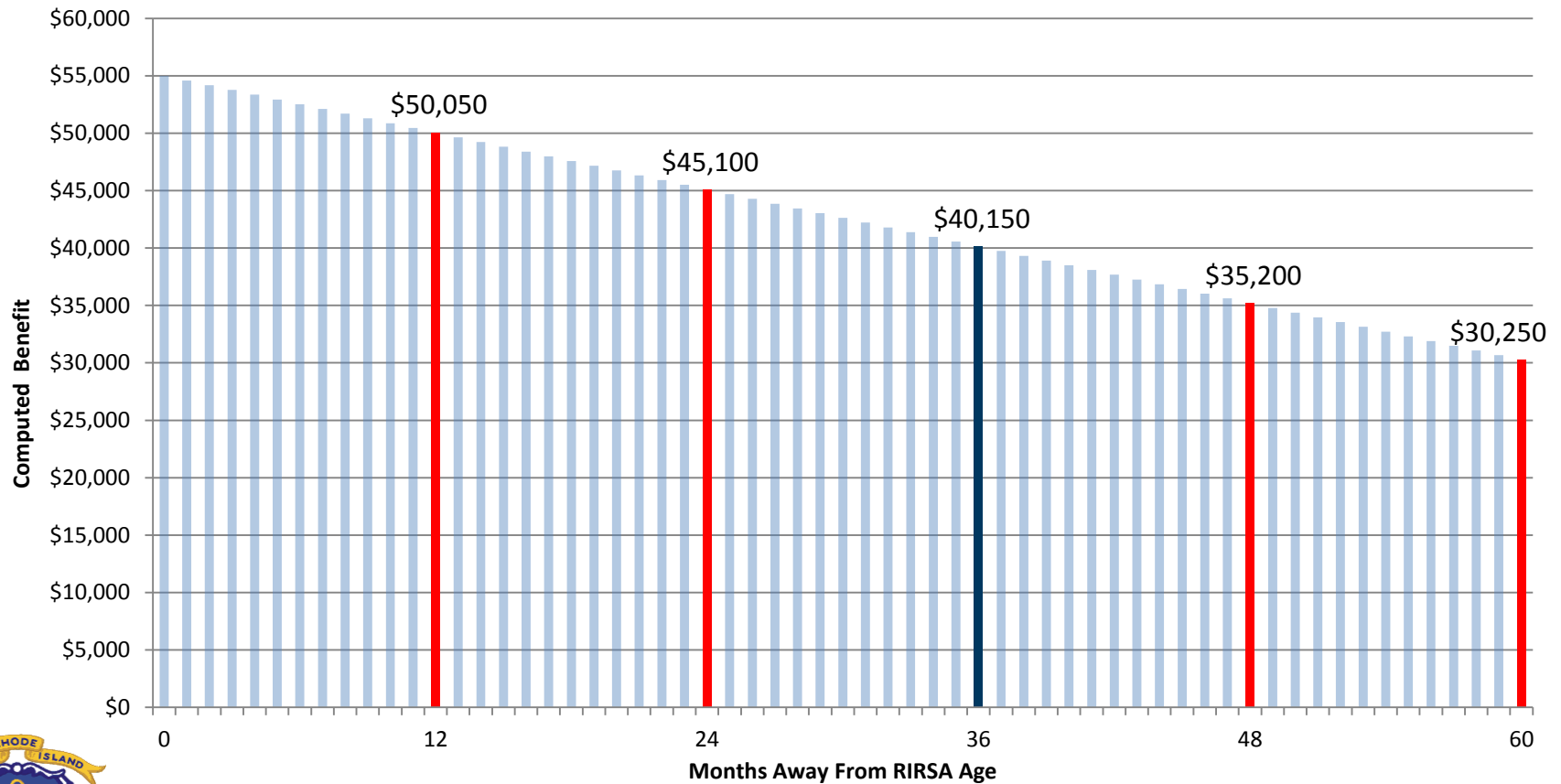
An Example of Transition Rule 1

- ▶ If you are three (3) years from your RIRSA date.
 - ▶ If your accrued benefit at that time is \$55,000 per year.
 - ▶ Your reduction will be:
 - 3 Years X 9 % per year = 27%
- or
- 73% (100%– 27%) of your benefit



An Example of Transition Rule 1

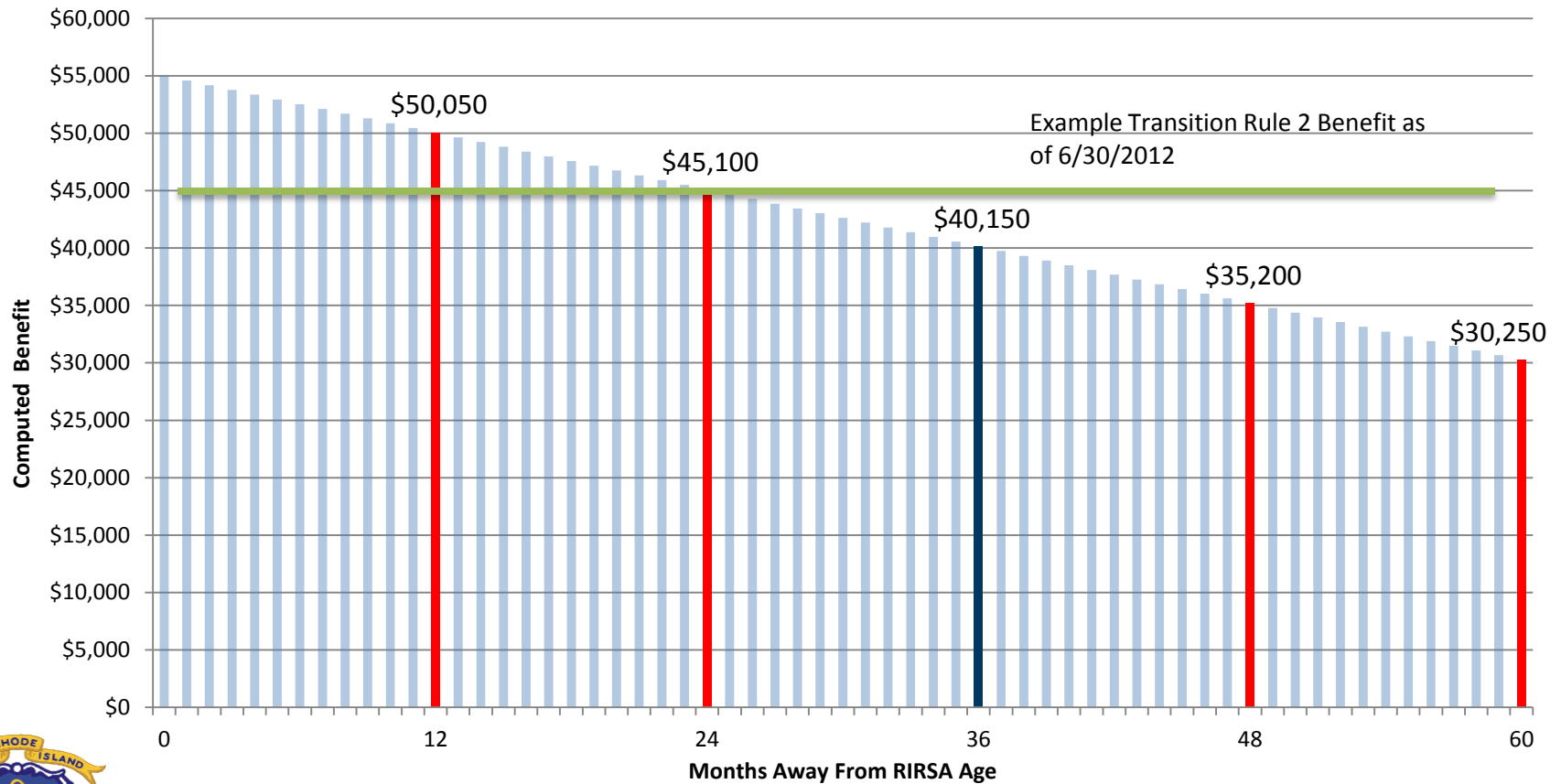
Transition Rule 1 - Actuarially Reduced Benefit (9% per year)



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An Example of Transition Rule 1

Transition Rule 1 - Actuarially Reduced Benefit (9% per year)



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A Few Comments on Transition Rule 2

Benefit determined as of 6/30/12 rule.

- ▶ You'll need to be sure that you at least reached eligibility under the "old" rules:
 - For schedule A – 28 years of service (YOS)

- ▶ If not, you'll need to recalculate the Article 7 date based on being closer to 60 and 10 YOS
 - This will extend the date when you can receive benefits



As a Schedule B member, how are you affected by RIRSA?



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As a Schedule B member, how are you affected by RIRSA?

- ▶ **Eligibility to retire** – If you were eligible to retire by 9/30/2009; no change. You may still retire based upon your original retirement eligibility under Schedule B.
 - Members who were eligible with 65 and 10 only i.e. could not have 29 years by 7/1/12.
- ▶ **Compensation used to compute pension** – no change. Based on 3 year average.



As a Schedule B member, how are you affected by RIRSA?

- ▶ If you are eligible to retire **after 9/30/09** and **prior to 7/1/2012**, how does RIRSA affect you?
- ▶ **Eligibility to retire** – no change. You may still retire based on your Schedule B retirement eligibility.
 - Members who are closer to 65 and 10 only i.e. could not have 29 years by 7/1/12.
- ▶ **Compensation used to compute pension** – no change. Based on 5 year average salary.



As a Schedule B member, how are you affected by RIRSA?

- ▶ If you are eligible to retire on or after 7/1/2012 and have 5 or more years of contributory service as 6/30/12, how does RIRSA affect you?
- ▶ Eligibility to retire Your retirement eligibility age becomes your Social Security Normal Retirement Age (SSNRA) with a proportional downward adjustment based upon your Article 7 eligibility and service credit accrued as of 6/30/2012. ERSRI calls this your RIRSA age.
- ▶ However, if RIRSA age is less than 59, defaults to age 59.



As a Schedule B member, how are you affected by RIRSA?

- ▶ You also have an Article 7 eligibility date and you can obtain this date by following the instructions on Slides 24 through 26 and clicking on the link that notes:
 - If you are Schedule B Teacher and want to check your retirement eligibility: [Click here](#)



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As a Schedule B member, how are you affected by RIRSA?

- ▶ Compensation used to compute pension
 - 5 highest consecutive years
 - More than ½ of total service is less than 30 hrs. per week but final average salary (FAS) includes 3 or more years which member worked more than 30 hrs.
 - Then FAS is 10 highest consecutive years.



As a Schedule B member, how are you affected by RIRSA?

- ▶ **Benefit rate** – For all Schedule B, you retain the benefit rate that you have accrued as of 6/30/2012. Maximum benefit rate 75%.

Schedule B

Years	Accrual Rate
Years 1 – 10	1.6% each year
Years 11 – 20	1.8% each year
Years 21 – 25	2.0% each year
Years 26 – 30	2.25% each year
Years 31–37	2.50% each year
Year 38	2.25%

- ▶ Effective 7/1/2012 accrual rate is 1% per year.
- ▶ Effective 7/1/2012 participate in DC plan.



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RIRSA Transition Rules

Teachers

TRANSITION RULE 1

- ▶ This rule allows for an earlier retirement date provided:
 - You have **20 or more YOS**
 - You attained an age within **5 years of your adjusted SSNRA a.k.a your RIRSA age**
 - If you are able to select this early retirement eligibility, you will take a **9% benefit reduction** per year from unreduced eligibility i.e. your SSNRA or adjusted SSNRA.

TRANSITION RULE 2

- ▶ This rule allows for an earlier retirement date provided you have completed **10 YOS** as of 6/30/12.
- ▶ You will retire with a benefit determined as of 6/30/12
- ▶ You will be able to begin receiving your benefit on your eligibility date determined as of 6/30/12
 - The eligibility date is your Article 7 date.



A few comments on Transition Rule 2

Benefit determined as of 6/30/12 rule.

- ▶ You'll need to be sure that you at least reached eligibility under the "old" rules:
 - For schedule B age 59 with 29 YOS.
- ▶ If not, you'll need to recalculate the Article 7 date based on being closer to age 65 and at least 10 YOS.
 - This will extend the date when they can receive benefits



As a Schedule B member, how are you affected by RIRSA?

- ▶ If you are eligible to **retire on or after 7/1/2012** and **do not** have 5 or more years of contributory service as of 6/30/12, how does RIRSA affect you?
- ▶ **Eligibility to retire** – Social Security Normal Retirement Age (SSRNA) and 5 years of contributory service.
- ▶ **Contribution rate** 3.75% into defined benefit plan, 5% into defined contribution plan.



As a Schedule B member, how are you affected by RIRSA?

- ▶ **Compensation used to compute pension**
 - 5 highest consecutive years.
 - More than ½ of total service is less than 30 hrs. per week but FAS includes 3 or more years which member worked more than 30 hrs.
 - Then FAS is 10 highest consecutive years.
- ▶ **Benefit Rate** Accrual rate is 1% per year. Maximum Benefit is 75%.
- ▶ Effective 7/1/2012 participate in DC plan



Questions?

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