



NEWS TO USE

A newsletter for PERSI employers

March 2012

- Rule of 80/90
- Fast Facts Flyer
- New Step in Disability Process



UNDERSTANDING THE RULE OF 80/90

Idaho Statute 59-1356 provides a way for vested PERSI members to retire before service retirement age (SRA) without taking a benefit reduction as long as they meet certain service and age requirements. This is commonly known as the Rule of 80/90. Although this is not a new provision, many members find it confusing.

A Simple Formula

The Rule of 80 applies to public safety officers (SRA = age 60) and the Rule of 90 to general members (SRA = age 65). The equation for both is simple: Years of service plus the member's age must equal or exceed either 80 or 90, depending on the type of membership status (public safety or general). The rule for members with mixed service (having accrued service as both a public safety officer and as a general member) is somewhere between 80 and 90 and is determined by a formula in statute.

Rule of 90 Example

Mary is a general member with 30 years of service.



She is 60 years old, and is therefore 5 years away from service retirement age. However, she may retire with an unreduced benefit because she has reached the Rule of 90.

$$\begin{aligned} & 30 \text{ years of service} \\ & + \underline{60 \text{ years of age}} \\ & = 90 \end{aligned}$$

Rule of 80 Example

Jim is a police officer with 26 years on the force. He is 54 years old, and is therefore 6 years from service retirement age. However, he may retire with an unreduced benefit because he has reached the Rule of 80.



$$\begin{aligned} & 26 \text{ years of service} \\ & + \underline{54 \text{ years of age}} \\ & = 80 \end{aligned}$$

Determining Eligibility Requires Calculations

When PERSI does the calculation to determine eligibility, all time is converted to months. That means the Rule numbers are multiplied by 12, with the Rule of 80 becoming 960 months and the Rule of 90 becoming 1080 months. Next the number of months of service is added to the member's age as it would be in months. If the sum of the months of service plus the months of age equals or exceeds the Rule months (either 960 or 1080), then the member is eligible to retire with an unreduced benefit under Rule of 80/90.

Calculation Example

Danny has 28 years of service as a police officer and he is age 50 years and 4 months.

PERSI will determine his service credit in months: 28 years x 12 months = 336 months.



PERSI will determine his age in months: 50 years x 12 months + 4 additional months for a total of 604 months. Danny's months of service will be added to his age in months:

$$\begin{aligned} & 336 \text{ months of service} \\ & + \underline{604 \text{ months of age}} \\ & = 940 \text{ months} \end{aligned}$$

Danny cannot retire with an unreduced benefit because his months of service and his age do not

equal the required 960 months for Rule of 80. Although he is short by 20 months, Danny only needs to work an additional 10 months to become eligible. Why? Because both his service credit and age increase each month. So over 10 months, his age increases by one month and his service credit increases by one month, allowing him to reach the 20-month shortage in just 10 months.

Answering Questions

If you or one of your employees have questions about the Rule of 80/90, or you need to know the mixed service Rule for yourself or an employee, you should contact PERSI's Member Services Answer Center at 1-800-451-8228 or 334-3365 from the Treasure Valley area.

FAST FACTS FLYER AVAILABLE ON PERSI WEBSITE

If you or your staff have ever wondered how many members or retirees are in PERSI, how retirement benefits support the Idaho economy, or even about the policies that guide PERSI, a new "Fast Facts" flyer will help. The flyer is available for download from the homepage of the PERSI website at www.persi.idaho.gov. Employers can share this information with and/or print out the flyer for their employees.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

FAST FACTS

Retirees

- Number of Retirees: 35,334
- Annual Retiree Payroll: \$578 million
 - \$515.4 million paid to retirees with Idaho addresses (89.2%)
- Average Monthly Benefit: \$1339
- Average Years of Service: 18.7
- Average Age at Retirement: 61.3
 - Teachers: 60.7
 - General Members: 62.2
 - Public Safety Officers 56.2

Active Members

- Number of Active Members: 65,798
- Average Member Salary: \$39,090
- Average Years of Service: 10.8
- Average Age: 46.9

Employers

- Number Participating: 737
 - Schools 21% State 13% Cities 20%
 - Counties 6% Other 40%



THE BUCK STOPS HERE

- Money is paid in and stays in Idaho – 89.2% goes to retirees living in Idaho, who purchase goods and services and pay taxes.
- Retiree purchases support more than 4200 jobs, paying \$203 million in wages in Idaho.
- More than \$566 million in total economic output and over \$76 million in taxes generated by retiree benefits.
- Each dollar paid out generates \$1.29 in economic activity in Idaho.
- Each dollar that goes into PERSI supports \$5.61 in total economic activity in the state.

CONSERVATIVE POLICIES = KEY TO PAST AND FUTURE STABILITY

- Employees and employers both pay contributions.
- Modest benefits: 11th lowest nationwide.
- Idaho Code 59-1302(SD)(e) prevents salary spiking to improve a member's benefit.
- By Statute 59-1342, PERSI retirement age is higher than many systems: Age 65 for general members and age 60 for public safety officers.

TAKING A CLOSER LOOK

- PERSI retirement benefits reduce the likelihood an Idaho retiree will have to rely on taxpayer-funded public assistance programs.
- Employers are able to attract and retain a quality workforce by offering PERSI benefits as part of a total compensation package.
- Both employee and employer contributions have always been paid on time and "pension contribution holidays" are never given.
- Unlike Social Security, employee contributions plus the interest earned always belong to the member. Members will never lose the money they contribute to the Base Plan.

MAKING A CHOICE

- PERSI members can choose to participate in a supplemental defined contribution plan called the Choice 401(k) Plan.
- Members choose the amount to contribute on a tax-deferred basis up to the limits set by the Internal Revenue Service.
- Members make their own investment choices from among those offered by the plan.
- At retirement, members decide how much to withdraw.

NEW STEP IN DISABILITY APPLICATION PROCESS

A new step has been added to the PERSI disability application process. Members wanting to file a disability application must first contact PERSI (1-800-451-8228) to obtain a disability questionnaire and estimate. The form must be returned within 30 days for an initial review to determine whether the member meets PERSI eligibility requirements: 1) They must meet disability eligibility requirements while they are an active PERSI member; 2) They must be leaving their job because of the disability; and 3) The application must be filed *no later than one year* after ceasing to be an active member.

- Employee's Statement of Disability
- Training & Educational Experience Questionnaire
- Daily Activities Questionnaire
- Attending Physician's Statement

Based on information provided by the member and his/her physician(s), the TPA will determine eligibility for a disability retirement. The entire determination process can take several months. Applicants can contact PERSI or the TPA at any time during the process to get a status update or answer to questions.

If the member is eligible to apply, PERSI will put them in contact with a third-party administrator (TPA) who will provide assistance in the application and review process. The member will receive several forms from the TPA including:

PERSI provides a Disability brochure on its website to help members and employers if questions arise. http://www.persi.idaho.gov/documents/Disability_Benefits.pdf