

Retirement Benefits

Service Retirement

Service retirement benefits are available to members who cease ERS-covered employment and meet minimum service and/or age requirements. The monthly retirement benefit is paid for life without interruption unless there is a return to full-time employment with an ERS or TRS agency, or to temporary employment in excess of the limits to be described in **Postretirement Employment** on page 31.

A member is eligible to receive retirement benefits under the following conditions:

- ◆ he or she has at least 10 years of service credit and has attained the age of 60 (age 52 for State Police)
- Or**
- ◆ after accumulating 25 years of service credit (30 years for agencies who have not adopted 25-year retirement) at any age.

A member is eligible to retire the first day of the month following attainment of age 60 with 10 years of creditable service or the first day of the month following attainment of 25 years of service credit (30 years for non-25-year retirement agencies). Members can only retire on the first day of any month they are eligible.

Eligible members may convert unused sick leave days to service credit to meet the minimum requirement for service retirement. For additional information on **Sick Leave Conversion**, refer to page 18.

To apply for retirement, request a RETIREMENT APPLICATION PACKET PART I from the ERS or download it from our website. This packet includes the FORM 10 - APPLICATION FOR RETIREMENT, INSURANCE AUTHORIZATION FORM (state employees only), and DIRECT DEPOSIT AUTHORIZATION.

The application must be received no less than 30 days nor more than 90 days prior to the effective date of retirement. It is the responsibility of the member to notify the ERS in

writing regarding intent to retire. Please include your full name and Social Security number or account number on all written correspondence.

Disability Retirement

If the career of an ERS member is cut short because of permanent disability, the member may qualify for monthly disability benefits. To qualify for a disability benefit, the member must meet all the following conditions:

1. The member must have at least 10 years of creditable service.
2. The member must be in-service. A member is considered in-service if currently working or on official leave of absence for one year, which may be extended for no more than one additional year. A member will not receive service credit for periods of leave without pay. **A member who terminates employment is not eligible to apply for disability retirement.**
3. The ERS Medical Board must determine the member to be permanently incapacitated for the further performance of duty. The Medical Board bases its determination upon information provided by the member's physician.

Maximum monthly disability retirement benefits are calculated identically to those for service retirement, **except** that additional credit for sick leave cannot be converted to retirement credit.

To apply for disability retirement, request a REPORT OF DISABILITY PACKET and RETIREMENT APPLICATION PACKET PART I from the ERS. The STATEMENT BY EXAMINING PHYSICIAN (included in the REPORT OF DISABILITY PACKET) and the retirement application must be received by the ERS office no less than 30 days nor more than 90 days prior to the effective date of retirement, which is the first day of a month. The member is responsible for notifying the ERS regarding disability retirement.

A disability retiree will be reviewed once each year for the first five years and once every three year period thereafter until age 60 (age 52 for State Police) to determine whether the retired member remains disabled.

Checklist for Retirement

12 Months Prior to Retirement

- ◆ Closely review your most recent Annual Statement of Account. You can view your account online. If you find discrepancies, call the ERS to speak with a counselor. If you did not receive the latest Annual Statement, call 877.517.0020, and inquire.
- ◆ Visit the RSA website, www.rsa-al.gov. Use the site calculator and get an unofficial estimate of your retirement benefits and, if eligible, DROP benefits.
- ◆ Resolve questions about purchasing any eligible service credit.
- ◆ Make sure that the RSA has your current home mailing address.
- ◆ Remember that your effective date of retirement must be the 1st day of the month in which you wish to retire. Example: July 1 or January 1

11 Months Prior to Retirement

- ◆ Begin a list of what you will do with your time after retirement. Consider all of your possibilities: another career, part-time or full-time, volunteering, travel, pursuing hobbies, etc.
- ◆ Gather information on Social Security benefits and Medicare at www.ssa.gov or you may call the local Social Security office.
- ◆ Review your health care and insurance options available after retirement. (If Medicare eligible, you must have Medicare Part A and Part B coverage to be effective on your retirement date. If you have health insurance coverage through the Alabama State Employees' Health Insurance Plan (SEIB), it will pay secondary as of this date. Medicare will be the primary coverage.)

10 Months Prior to Retirement

- ◆ Request an official estimate of your benefits using your planned retirement date.
- ◆ Continue to plan for your time after retirement.
- ◆ Meet with your financial advisor or attorney for planning purposes.
- ◆ Begin a list of all expenses or financial obligations you will have after retirement.
- ◆ Begin a list of any questions you have concerning your retirement, your benefit, health insurance, etc.

9 Months Prior to Retirement

- ◆ Consider making an appointment with a retirement counselor. Check the calendar of site visits in your area and call the ERS to arrange an appointment. You can make an appointment at the RSA Headquarters at any time by calling Member Services at 877.517.0020 or 334.517.7000.
- ◆ Compare your list of expenses after retirement to your anticipated retirement income.
- ◆ Continue to plan and review your retirement options.
- ◆ Check with your payroll or personnel office to verify leave status for planning purposes.
- ◆ Work on setting up a retirement income budget for your household.

8 Months Prior to Retirement

- ◆ Have you arranged your appointment with a counselor or at least decided on a time to do so?
- ◆ Complete your list of questions to ask the counselor.

7 Months Prior to Retirement

- ◆ Continue to plan for your time after retirement. Prepare yourself to face emotional, physical and financial adjustments.

6 Months Prior to Retirement

- ◆ Have your health insurance plans and financial arrangements in order.

5 Months Prior to Retirement

- ◆ Request the RETIREMENT APPLICATION PACKET PART I from your payroll office, or from our website, or call the ERS.
- ◆ Once the application is received, if applicable, examine carefully the insurance information located on the back of the application.
- ◆ Review your estate plan.
- ◆ Begin to make decisions concerning tax withholdings, etc.
- ◆ If contributing to RSA-1, call for information on your distribution options at retirement.

4 Months Prior to Retirement

- ◆ Work on completing your retirement application. If you have questions, seek answers. ***Remember:** The application must be submitted to the ERS no less than 30 days nor more than 90 days prior to the effective retirement date. If your application is received less than 30 days prior to your projected retirement date, your effective retirement date will be delayed until the following month.
- ◆ Begin to update your resume if you are planning to pursue employment after retirement.
- ◆ Study the regulations for postretirement employment.
- ◆ Research exercise and wellness programs.

3 Months Prior to Retirement

- ◆ The RETIREMENT APPLICATION PACKET PART I should be completed and ready to submit to:

Employees' Retirement System
Post Office Box 302150
Montgomery, AL 36130-2150

- ◆ Strongly consider Direct Deposit for your monthly retirement check.
- ◆ Notify your employer in writing of your last date of service and subsequent retirement date. Keep a copy for your records.
- ◆ If you are eligible for Medicare, confirm your arrangements for coverage under Part A and Part B. For your records, jot down the date you spoke with the Social Security representative and his or her name.

2 Months Prior to Retirement

- ◆ Submit your retirement application to the ERS if you have not done so and check on your RSA-1 account to make sure you have completed any required paperwork.
- ◆ Promptly respond to any correspondence or communications you receive from the ERS or RSA-1.
- ◆ Check on your health insurance coverage to avoid any glitches or delays.
- ◆ Begin cleaning out your office or workstation. Try not to put this off to the last minute.
- ◆ Complete all necessary paperwork or obligations to your employing agency.

1 Month Prior to Retirement

- ◆ The retirement application must have been submitted to the ERS no less than 30 days from your projected retirement date.
- ◆ Fulfill all employment obligations and complete any outstanding paperwork.
- ◆ Be prepared to venture into the next exciting chapter of your life.
- ◆ Make sure that you receive the RETIREMENT BENEFIT OPTION SELECTION and TAX FORM PACKET. These forms must be completed and submitted to ERS prior to the effective date of retirement.

Sick Leave Conversion

Sick leave conversion **only** applies to state of Alabama employees and employees of public agencies that elected to adopt this provision.

An ERS member may convert unused sick leave toward meeting the minimum service requirement for retirement eligibility instead of receiving any payment the member may be entitled to receive. The converted sick leave will be used in calculating the retirement benefit.

The following chart is used by the ERS to convert accumulated sick leave days to months of service credit upon service retirement. The employing agency determines the maximum days that may be converted.

Members cannot convert unused sick leave to retirement credit in order to meet the 10 year vesting requirement.

Accumulated Sick Leave Days	Months of Service
0-10	0
11-30	1
31-50	2
51-70	3
71-90	4
91-110	5
111-130	6
131-150	7
151-170	8
171-190	9
191-210	10
211-230	11
231-250	12
251-270	13
271-290	14
291-310	15
311-330	16
331-350	17
351-370	18
371-390	19
391-410	20
411-430	21
431-450	22
451-470	23
471-490	24
491-510	25
511-530	26
531-550	27
551-570	28
571-590	29
591-610	30
611-630	31
631-650	32
651-670	33
671-690	34
691-710	35
711-730	36

Computing Your Retirement Benefit

A member's retirement benefit is calculated based on a retirement formula. The factors used in calculating this benefit include:

- 1. Average Final Salary:** The average of the highest three fiscal years (October - September) out of the last 10 fiscal years the member made contributions. Partial years are included when calculating the average final salary.
- 2. Years and Months of Creditable Service:** The total amount of creditable service to include membership service, prior service, purchased service, and transfer service.
- 3. Benefit Factor:** The current benefit factor, as established by the Alabama Legislature, is 2.0125%.*

Retirement Formula for Maximum Monthly Benefit

Average Final Salary x Years and Months of Service x Benefit Factor ÷ 12 = Maximum Monthly Benefit

Example: Average Final Salary: \$35,000
Service Credit: 27 years and 6 months

$$\$35,000 \times 27.5 \times .020125 \div 12 = \$1,614.19 \text{ per month}$$

The member also has four options to choose from that are a reduction from the Maximum Monthly Benefit.

* 2.875% for State Police

Important: When a member submits a retirement application, the staff calculates the monthly benefit under the Maximum Monthly Benefit and the Optional Monthly Benefits. The ERS mails this information to the retiring member, along with the RETIREMENT BENEFIT OPTION SELECTION AND TAX FORM PACKET PART II. This packet includes the RETIREMENT BENEFIT SELECTION form, WITHHOLDING CERTIFICATE FOR PENSION OR ANNUITY PAYMENTS, and POSTRETIREMENT EMPLOYMENT INFORMATION.

If no election of an option is made prior to the effective date of retirement, the law specifies that the member will receive the Maximum Monthly Benefit retirement allowance.

Maximum or Optional Monthly Benefit

The member must select either the Maximum Monthly Benefit or one of the Optional Monthly Benefits on the RETIREMENT BENEFIT OPTION SELECTION form. Failure to select either the Maximum Monthly Benefit or one of the Optional Monthly Benefits will, **by law**, result in the Maximum Monthly Benefit as the member's retirement benefit selection.

Maximum Monthly Benefit

The Maximum Monthly Benefit pays the highest monthly benefit to a retiring member of the ERS. This benefit is a lifetime benefit paid to the retiree on a monthly basis. At the death of the retiree, all monthly benefits cease. The designated beneficiary(ies) will only receive a one-time prorated monthly benefit covering the days of the month that the retiree was still living.

Optional Monthly Benefit

A member may provide a benefit for a beneficiary by selecting one of the following options.

Option 1

The monthly benefit under Option 1 is slightly less than the Maximum. This benefit is a lifetime benefit paid to the retiree on a monthly basis; however, if the retiree dies prior to receiving annuity payments exceeding his or her account balance, the remaining annuity balance will be paid to the designated beneficiary(ies). The annuity balance, if any, is the amount of unused contributions and interest remaining in the retiree's account.

Option 2 (100% Survivor Benefit)

Option 2 allows the retiree to receive a reduced benefit over the life of the retiree in return for allowing the designated beneficiary (only one beneficiary may be designated) to receive the same lifetime benefit after the retiree's death. The benefits are based on the variance in age between the retiree and the beneficiary. Once the member retires, he or she cannot change their beneficiary unless the beneficiary predeceases the retiree or if the retiree and the beneficiary divorce. See **Replacement Beneficiary**.

Option 3 (50% Survivor Benefit)

Option 3 allows the retiree to receive a reduced benefit over the life of the retiree in return for allowing the designated beneficiary (only one beneficiary may be designated) to receive one-half the retiree benefit over the beneficiary's lifetime after the retiree's death. The benefits are based on the variance in age between the retiree and the beneficiary. Once the member retires, he or she cannot change their beneficiary unless the beneficiary predeceases the retiree or if the retiree and the beneficiary divorce. See **Replacement Beneficiary**.

Option 4

Members may elect to receive a monthly benefit actuarially equivalent to the regular retirement benefit and must meet the ERS' actuarial assumptions. The monthly benefit paid to the beneficiary cannot exceed the limits determined by federal taxation laws. The ERS Board of Control must approve this option. See **Replacement Beneficiary**.

Replacement Beneficiary

Retirees who elected joint survivor options (Option 2, 3 or 4) at the time of retirement may name a new beneficiary under either of the two following conditions:

- ◆ If the named beneficiary dies before the retired member
- Or**
- ◆ There is a divorce between the retired member and the beneficiary

The retired member should contact the ERS for information and forms. There will be a recalculation of the benefit amount for the retired member and replacement beneficiary. The replacement beneficiary must be in place for at least two years for the monthly survivor benefits to become effective. If the retired member dies within this two year period, only a prorata payment for the portion of the month the retiree was alive will be paid to the beneficiary.

Retirement System of Alabama

Report of Disability Packet

This packet includes the following documents:

- **Part I: Statement by Examining Physician**
- **Part II: Applicant Authorization**

The Statement by Examining Physician must be received at least 30 days and not more than 90 days prior to the effective date of retirement.



P. O. Box 302150
Montgomery, Alabama 36130-2150
334-517-7000 or 877-517-0020
www.rsa-al.gov

Report of Disability Packet Instructions

Read Carefully

Part I: Statement by Examining Physician

Statement by Examining Physician must be based upon a current examination conducted within four (4) months prior to your effective date of retirement. This Statement must be completed by your doctor only after he/she has examined you.

Statement by Examining Physician must be submitted to the RSA no less than 30 days and not more than 90 days before your effective date of retirement. The effective date of retirement must be the first day of a month.

PART II: Applicant Authorization

Please complete Part II: Applicant Authorization. The completed and signed form will authorize your doctor to provide medical documentation to the RSA.

Disability Retirement

To qualify for a disability benefit, the member must meet **all** the following conditions:

1. The member must have 10 years of creditable service.
2. The member must be in-service. A member is considered in-service if currently working or on official leave of absence for one year, which may be extended for no more than one additional year. A member will not receive service credit for periods of leave without pay.
3. The RSA Medical Board must determine the member to be permanently incapacitated for the further performance of duty. The Medical Board bases its determination upon information provided by the member's physician. The Medical Board normally meets on the first Tuesday in each month.

Monthly disability retirement benefits are calculated identically to those for service retirement, except that additional credit for sick leave cannot be converted to retirement credit.

If the Report of Disability Packet is being completed as verification of medical reasons for retiring on disability, it must be submitted with the Retirement Application Packet Part I. All packets are due into the RSA no more than 90 days or less than 30 days prior to the designated retirement date.

Annual Disability Review

If the Report of Disability Packet is being completed for the Annual Disability Review, the medical documentation provided by your physician must be based upon a current examination conducted within four (4) months prior to submission of the forms to the RSA. The completed forms are to be returned to the RSA within 30 days of the initial request.

Early Termination of DROP

If the Report of Disability Packet is being completed as verification of medical reasons for early termination of participation in DROP, it should be submitted with the Request for Early Termination of DROP form.