

TRANSITION BENEFIT CALCULATION ALTERNATIVES TO DISCUSS: EMPLOYEE HIRED ON January 1, 1986 AT AGE 26, STARTING SALARY \$21,090, AND RETIRING WHEN FIRST ELIGIBLE FOR UNREDUCED BENEFIT

**DATA:** 1/1/11 Age, Service, Average Pay: 51, 25, \$41,635 (3)  
1/1/16 Age, Service, Average Pay: 56, 30, \$46,888 (5), \$48,266 (3)

**CURRENT CRS PLAN:** 1/1/16 Benefit Calculation **Current Plan, 30 & out at 1/1/2016**  
 $30 \times 2.5\% \times \$48,266 = \mathbf{\$36,200}$  with **3% compound COLA**

**APPROACH #1**

**DATA:** 1/1/11 Age, Service, Average Pay: 51, 25, \$41,365 (3)  
1/1/16 Age, Service, Average Pay: 56, 30, \$46,888 (5), \$48,266 (3)  
1/1/20 Age, Service, Average Pay: 60, 34, \$52,772 (5) (Earliest unreduced age)

**AGE 60 START DATE:** 1/1/20 Benefit Calculation **Proposed Changes, NRA 60 & 34.**  
**Greater of a) or b)**

- a)  $25 \times 2.5\% \times \$41,635 \times 1.38 + 5 \times 2.2\% \times \$52,772 + 4 \times 2.0\% \times \$52,772 = \mathbf{\$45,937}$  with **2% simple indexed COLA**
- b)  $30 \times 2.2\% \times \$52,772 + 4 \times 2.0\% \times \$52,772 = \mathbf{\$39,051}$  with **2% simple indexed COLA**

**APPROACH #2**

**DATA:** 1/1/11 Age, Service, Average Pay: 51, 25, \$41,365 (3)  
1/1/16 Age, Service, Average Pay: 56, 30, \$46,888 (5), \$48,266 (3)  
1/1/18 Age, Service, Average Pay: 58, 32, \$49,743 (5) (Earliest unreduced age)

**SERVICE RAMP-UP:** 1/1/18 Benefit Calculation **Proposed Changes, NRA 58 & 32.**  
 $25 \times 2.5\% \times \$49,743 + 5 \times 2.2\% \times \$49,743 + 2 \times 2.0\% \times \$49,743 = \mathbf{\$38,551}$   
with **2% simple indexed COLA**

**APPROACH #3**

**DATA:** 1/1/11 Age, Service, Average Pay: 51, 25, \$41,365 (3)  
1/1/16 Age, Service, Average Pay: 56, 30, \$46,888 (5), \$48,266 (3)

**KEEP START DATE:** 1/1/16 Benefit Calculation **Proposed Changes, NRA 60 & 34, NRA/ERA 56 & 30 (for this specific individual).** **Greater of a) or b)**

- a)  $25 \times 2.5\% \times \$48,266 + 5 \times 2.2\% \times \$46,888 \times .726 = \mathbf{\$35,324}$  with **2% simple indexed COLA**
- b)  $30 \times 2.2\% \times \$46,888 \times .726 = \mathbf{\$22,467}$  with **2% simple indexed COLA**

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**,Description of Transition Methodologies:**

**#1. AGE 60 START DATE.** Under this approach, for normal retirements on and after 1/1/2014, participants would be eligible for normal retirement upon attainment of age 60 with 30 or more years of service or, if earlier, upon attainment of age 65 with 5 or more years of service. Thus, participants who would have previously been eligible for normal retirement prior to age 60 will now have to wait until age 60 for their normal retirement date.

Calculations under this methodology will preserve the value of accrued benefits as of 1/1/2011 by actuarially adjusting these accrued benefits to an age 60 payment date. Accruals on and after 1/1/2011 will be at either 2.2% per year of service up to 30 years of service or 2.0% per year of service beyond 30 years of service.

Participants hired on or after 1/1/2001 will not be eligible for this transition rule. Normal Retirement will transition from 60 with 5 or more years of service to age 65 with 5 or more years of service under the transition rule shown in #2 below.

**#2. SERVICE RAMP-UP.** Under this approach, for normal retirements on and after 1/1/2014, participants would be eligible for normal retirement upon attainment of age 55 with 31 (or greater) years of service depending upon their original hire date as defined in the following table:

<b>Group Definition</b>	<b>Age Requirement</b>	<b>Service Requirement</b>
Hired prior to 1/1/1986	55	31 years of service
	61	5 years of service
Hired prior to 1/1/1991	55	32 years of service
	62	5 years of service
Hired prior to 1/1/1996	55	33 years of service
	63	5 years of service
Hired prior to 1/1/2001	55	34 years of service
	64	5 years of service
Hired on or after 1/1/2001	60	30 years of service
	65	5 years of service

**#3. KEEP START DATE.** Under this approach, for normal retirements on and after 1/1/2014, participants would be eligible for a “hybrid” normal/early retirement upon attainment of 30 or more years of service or, if earlier, normal retirement upon attainment of age 65 with 5 or more years of service.

Calculations under this methodology will preserve the value of accrued benefits as of 1/1/2011 by using the highest 3 year average salary at actual retirement date. Accruals on and after 1/1/2011 will be at either 2.2% per year of service up to 30 years of service or 2.0% per year of service beyond 30 years of service, both reduced actuarially for early commencement.

Participants hired on or after 1/1/2001 will not be eligible for this transition rule. Normal Retirement will transition from 60 with 5 or more years of service to age 65 with 5 or more years of service under the transition rule shown in #2 above.