

QUESTION AND ANSWER SECTION

Q. When can I retire?

A. You may retire when you have at least 25 years of credited service regardless of age. Credited service is the total number of years, months and days of active service a member accumulates for pension purposes toward retirement. When you retire you will be paid a straight life retirement allowance each month for as long as you live. Or, at the time you retire you may choose an Option II or Option III retirement allowance which will provide lifetime benefits to you and upon your death will continue throughout the life of your designated beneficiary.

Q. How is the amount of my straight life retirement allowance computed?

A. Your retirement allowance is based on your years of credited service and your average final compensation.

Hired prior to 1-1-69 (old plan)

Your total retirement allowance (pension plus annuity) is equal to two and one-half percent (0.025) of your average final compensation multiplied by your years of credited service, not to exceed twenty five years. The pension portion cannot exceed fifteen /twenty-seconds of the maximum earnable compensation of a patrolman/firefighter. Average Final Compensation is the average of the “maximum rate of pay” fixed by the budget, at the time of your termination, of your rank or ranks held during your last five years of service. Members hired prior to 1-1-69 also have the option to retire under the “New Plan” provisions which follow.

Hired on or after 1-1-69 (new plan)

Your total retirement allowance (pension plus annuity) is equal to two and one-half percent (0.025) of average final compensation for your first twenty-five years of service plus two and one-tenth percent (0.021) of average final compensation for the next ten years of service. Average final compensation is the same as under the “Old Plan”.

NOTE: When you retire, if you withdraw or have already withdrawn your accumulated Annuity Savings Fund (Defined Contribution Plan) in a lump sum, your total retirement allowance will be reduced.

Q. A straight life retirement allowance provides me with payments for life. Can I financially protect my beneficiary by choosing some other form of payment?

A. Yes, you can provide lifetime financial protection for your beneficiary by choosing Option II or Option III. *This choice must be made when you retire.* You cannot change the option or your beneficiary after you cash a retirement check. The amount of an Option II or Option III retirement allowance is based on the amount of your straight life retirement allowance and on the age of you and your beneficiary. These amounts decrease with increasing age, for the same reasons that insurance premiums increase with increasing age. When you choose Option II or Option III, in a sense you are paying monthly insurance premiums to provide a survivorship benefit for your beneficiary upon your death. The “premium” is the difference between the straight life amount to which you are entitled and the amount you receive under the optional payment plan. Therefore, the difference between the amount of your straight life retirement allowance and the amount of the Option II or Option III retirement allowance represents the cost of paying your beneficiary’s allowance. The value of each optional form of payment equals the value of the straight life retirement allowance; they all have the same cost to the Retirement System at the time you retire. The options are made available to you as a convenience in planning your personal retirement program.

Option II Joint and Survivor Allowance

Under this plan you would receive the Option II retirement allowance for as long as you live. Upon your death your beneficiary would receive 100 percent of the Option II annual retirement allowance for life.

Example: *You are 55 and are entitled to a straight life allowance of \$12,000 per year. Your named beneficiary is also age 55. From the table on page 40, your annual Option II retirement allowance would be \$10,416 (12 times \$868). You would receive monthly benefit checks for as long as you live. Upon your death, your beneficiary would receive the same amount monthly for life.*

Option III Modified Joint and Survivor Allowance

You would receive the Option III retirement allowance for as long as you live. Upon your death, your beneficiary would receive 50 percent (one-half) of your Option III retirement allowance for life.

Example: *You are 55 and are entitled to a straight life allowance of \$12,000 per year. Your named beneficiary is also age 55. From the table on page 40, your annual Option III retirement allowance would be \$11,148 (12 times \$929). You would receive monthly benefit checks for as long as you live. Upon your death, your beneficiary would receive one-half (1/2) of your benefit each month for life.*

OPTION II – 100% SURVIVOR ALLOWANCE
OPTION III – 50% SURVIVOR ALLOWANCE
 BASED ON A \$1,000 STRAIGHT LIFE
 MONTHLY RETIREMENT ALLOWANCE

AGE AT RETIREMENT			
MEMBER	BENEFICIARY	OPTION II	OPTION III
30	55	.591	.593
30	50	.56	.544
30	45	.50	.506
35	60	.61	.642
35	55	.58	.609
35	50	.54	.517
40	65	.68	.699
40	60	.67	.611
40	55	.69	.694

Q. Can I name someone other than my spouse as beneficiary?

A. You may name as your beneficiary any person with an insurable interest in your life. Once you have named a beneficiary and cashed a retirement check, you are not allowed to change your beneficiary selection.

Q. What is the best pension Option to choose?

A. At your retirement interview, the Retirement System staff will explain each retirement option available to you. Only you can decide which is the best option for yourself. Changes to your retirement option are not allowed after you cash a retirement check.

Q. What is the “Pop-Up” option?

A. The “Pop-Up” Option is a retirement option you may elect at retirement, which allows for your retirement to be changed from Option II or Option III to a Straight Life Option in the event your beneficiary predeceases you. The cost for this option is borne by the retiree or his/her beneficiary. There are three Pop-Up Options from which a retiree may choose.

Q. Is my pension taxable?

A. Your monthly pension benefit is subject to Federal Income Taxes only. Public Retirement Pension Benefits are currently not subject to State of Michigan or City of Detroit income tax.

Q. What if I become totally and permanently disabled?

A. Duty Related Disability Retirement

If your disability is approved by the Board of Trustees as being duty related and you have less than 25 years of service, your disability retirement allowance equals sixty-six and two-thirds percent of your final compensation (your budgeted “rate of pay” at time of retirement). At the time you would have accrued 25 years of service, had you remained in active service, you will receive a reduced disability retirement allowance computed in the same manner as a regular service allowance. Any worker’s compensation payments are offset from your City retirement disability benefits.

D.P.O.A. members and their Fire equivalents who file and receive a duty disability retirement after July 1, 1995 and all other uniform members who file and receive a duty disability after June 30, 1998, receive a basic benefit of 50% of final compensation and a supplemental benefit of 16.67% of final compensation.

You are eligible to withdraw your Defined Contribution Plan monies (annuity) any time after your 25th anniversary date.

Non-Duty Related Disability Retirement

You can receive a retirement allowance for a non-duty related disability if you have five or more years of credited service. Your disability retirement allowance is computed in the same manner as a regular service allowance with a minimum allowance of 20 percent of your average final compensation. If you have less than five years of credited service at the time of your non-duty disability retirement, your Defined Contributions Plan (Annuity Savings Fund) will be returned to you, or at your option, you may select a cash refund annuity which shall be the equivalent of your accumulated contributions. Any worker’s compensation payments are offset from your City retirement disability benefits.

Q. If I retire with a Non-Duty / Duty disability retirement, can I withdraw my Defined Contribution Plan monies (annuity)?

A. If you have less than twenty-five years of service and retire with either a Non-Duty or Duty Disability Retirement, your Defined Contribution Plan monies (annuity) must remain in the System.

Non-Duty

Your monthly benefit is paid from your annuity contributions. If any contributions remain on your 25th anniversary, you may elect to withdraw the balance at that time. Your monthly benefit will be reduced to reflect the withdrawal of your contributions.

Duty

Your contributions continue to accrue interest at the same rate as active uniform employees until your 25th anniversary, at which time you can elect to withdraw your monies.

Q. Are disability benefits offset by outside earnings?

A. A disability retiree can earn the difference between his gross disability benefits and the maximum base pay of his rank during a calendar year. Any earnings above this amount are offset dollar for dollar from your disability benefit.

New Disability Plan—A disability retiree can earn the difference between his/her gross disability benefits and the member’s base salary at the date of disability, increased by 2.25% times the number of full years from the date of disability to the year in which the earnings offset is applied.

Q. If I am retired on a Duty-Disability retirement, how is my pension calculated when I convert to a reduced duty disability?

A. When a Duty Disability Retirant reaches his/her 25th anniversary date, his/her disability pension is changed to a reduced duty disability benefit. This benefit is computed in the same manner that a service retirement is computed, and uses pay rates in affect as of the anniversary date.

New Disability Plan—When a Duty Disability Retirant reaches his/her 65th birthday, his/her disability pension is changed to a service retirement benefit. This amount shall be the same amount which would have been payable if the conversion from duty disability had occurred at the date of attaining 25 years of service or the date the member was removed from the active payroll, whichever is later. Escalators at a rate of 2.25% per year, of members original pension, would be added to determine his/her pension on members 65th birthday.

Q. What if I die before retiring?

A. If you die from *duty* related causes, your designated beneficiary will receive your accumulated contributions in a lump sum. Your spouse will receive a monthly pension equal to five-elevenths of the maximum pay for the rank of patrolman or firefighter, as the case may be, for life or *until remarriage*. Each unmarried child under 18 receives one-tenth of the maximum pay with a maximum total of seven thirty-thirds of the maximum pay. The total of all pensions paid cannot exceed two-thirds of the maximum pay. If there is no eligible spouse, unmarried children under 18 receive one-fourth of the maximum pay with a maximum total of one-half of the maximum pay. If there is no eligible spouse or children, dependent parents receive one-sixth of the maximum pay.

Your spouse may also elect to receive a benefit as computed under survivors benefit in lieu of a duty death benefit.

If you die from *non-duty* related causes and have less than 25 years of credited service, your spouse will receive a survivors benefit allowance, for life or *until remarriage*, computed as a regular retirement allowance but reduced for an Option II election. The amount of the allowance is based on your credit service and average final compensation at the date of your death. The minimum allowance is 20 percent of your average final compensation. Each unmarried child under 18 receives one-seventh of the maximum pay for the rank of patrolman or firefighter, as the case may be, to a maximum of two-sevenths of the maximum pay. If there is no eligible spouse or children, dependent parents receive one seventh of the maximum pay. If there is no eligible spouse, children, or dependent parents, the balance of your accumulated contributions if any, will be paid to your designated beneficiary or to your estate if there is no designated beneficiary.

If you die from *non-duty* related causes and have more than twenty-five years of credited service your spouse benefits are computed identical to the above with the exception that the benefit does not terminate with remarriage.

Any worker’s compensation payments are offset from your City duty or non-duty retirement system allowance.

Q. If I resign before my retirement age, will I still receive an allowance?

A. You would be eligible to receive an allowance providing that at the time of your resignation you:

- (1) have eight or more years of credited service, and
- (2) are 40 years of age or older.

A retirement allowance based on your years of credited service and average final compensation will be effective the date you would have been eligible to retire had you continued in City employment or age 62 (check your bargaining agreement). If you die before you are eligible for your retirement allowance, your beneficiary is not eligible for an allowance.

You may elect a reduced early vested pension benefit in lieu of a deferred benefit. Your benefit would be reduced based on the length of time you leave prior to your 25th anniversary date at a rate of one-half percent (0.5%) per month or six percent (6.0%) per year. You have 90 days after your resignation to elect the early vested option. If you retire with a 40 & 8 vested pension, you can withdraw your Defined Contribution Plan (annuity) monies immediately, even if you elect to



wait until your 25th anniversary to collect a monthly benefit. Fringe benefits (Hospitalization, Dental Eye Care, Death Benefit) for vested retirees begin on the date you would have attained 25 years of service credit had you continued employment with the City of Detroit. DPOA members and parity DFFA members hired on or after July 1, 1985 are not eligible for pension benefits until their 62th birthday. When you resign, if you do not meet the requirements for a deferred retirement allowance, you will be paid your accumulated contributions, including interest, in a lump sum upon request. Processing of your refund takes approximately six to eight weeks after you are removed from the active payroll.

Q. Can I obtain my Defined Contribution Plan (annuity) balance over the phone?

A. Your balance may only be obtained in person or by written request to the Retirement Office. An annual statement of your account balance is mailed to you at the end of each fiscal year.

Q. When can I withdraw my Defined Contribution Plan monies (annuity)?

A. You may withdraw your Defined Contribution Plan monies (annuity) upon termination of employment or upon completion of twenty-five years of service. You may apply up to sixty days prior to eligibility. The refund process takes about 6-8 weeks after the last deduction is taken from your check.

Q. How is the interest rate on my Defined Contribution Plan monies (annuity) determined?

A. After each fiscal year, the total earnings of the System, less expenses are divided by the total mean balances of all the Reserve Accounts to calculate the interest rate to be used.

Q. Will I get credit for military service?

A. Yes, if you were a City employee and were granted a leave of absence to enter the military, you will be given service time credit as if your service was uninterrupted. This provision requires that you return to City service after completing military duty within the period prescribed by law. You will not contribute to the retirement fund while you are in military service, but your accumulated contributions will continue to earn interest.

If you were not a City employee but had Pre-Employment Military Service during periods covered by City Ordinance No. 356-H, you may purchase up to three (3) years of covered service. You are required to pay an amount equal to 5% of your current annual rate of pay for each full

year of military service credit. Pre-Employment Military Service Credit may not be used to retire early, but is used to increase the amount of the pension benefit that you will receive upon retirement.

Q. Who pays for retirement system benefits?

A. Your retirement allowance is made up of two parts: a Defined Benefit Plan (Pension) and Defined Contribution Plan (annuity).

Defined Benefit Plan

The Defined Benefit Plan is a plan funded by employer contributions and earnings from the assets of the system. The City contributes actuarially computed amounts required to maintain the System as required by the Constitution of the State of Michigan.

Defined Contribution Plan

This plan is also referred to as the annuity savings plan; which is a program which requires you to contribute toward an annuity. The defined contribution plan is funded by employee contributions and earnings from the assets of the system. Defined Contribution Plan monies belong *solely* to each employee or upon death, to their named beneficiary.

Q. Who administers the system?

A. The Policemen and Firemen Retirement System is administered by an eleven member Board of Trustees as follows:

- Three firemen who are members of the system.
 - Two to be elected by and from members holding the rank of Lieutenant and lower ranks.
 - One to be elected by and from members holding ranks above Lieutenant.
- Three policemen who are members of the System.
 - Two to be elected by and from members holding the rank of Lieutenant and lower ranks.
 - One to be elected by and from members holding ranks above Lieutenant.

The Mayor or his/designee, the President of the City Council, or a member thereof elected by City Council, the City Treasurer, or the Deputy City Treasurer, the Chief of Police, or his designee and the Fire Commissioner, or his designee are ex-officio members.

Q. Is some provision made for increased living costs as a result of inflation after I am retired?

A. Hired prior to 1-1-69 (old plan)

Yes. Your retirement allowance increases proportionately with the increases in active member pays of the rank(s) on which your retirement allowance was computed. This holds true for retirement allowed paid to beneficiaries.

Hired on or after 1-1-69 (new plan)

Yes. The pension portion of your retirement allowance increases two and one-quarter (2.25%) percent each year on July 1. This holds true for retirement allowances paid to beneficiaries.

Q. Is my retirement allowance safe?

A. Yes. Under the provisions of the State of Michigan's Constitution, the City of Detroit has a contractual obligation to fund pensions and retirement allowances for each employee's entire service period. The City Charter and a City Council ordinance mandate proper funding of the Policemen and Firemen Retirement System. The trustees, as fiduciaries, work to protect and increase the assets of the system. The system is currently 114% funded which compares very favorably to many other Public Retirement Systems.

Q. How is the money invested?

A. The Board of Trustees of the Policemen and Firemen Retirement System establishes the objectives and guidelines which govern investment policy. All investments are made in accordance with City Charter and State Statutes governing the investment of pension funds. The Board employs investment management firms to invest the funds of the System. All funds and securities of the Policemen and Firemen Retirement System are kept entirely separate from the funds of the City.

Q. How do I apply for retirement?

A. To apply for retirement, follow these steps:

- (1) Contact your payroll or personnel department and set up an effective date of retirement.
- (2) Request an estimate from the Pension Bureau of your retirement allowance under the various options available.
- (3) Call the Pension Bureau to make an appointment for filing your application to retire.
- (4) Bring proof of birthdate for yourself, and if Option II or Option III is chosen, proof of birthdate for beneficiary is also required. Police officers also are required to bring in a "Resignation/Retirement Notification" letter obtained from their Personnel Department.

Q. When I begin my service retirement, what happens to the benefits I currently receive under the employee benefit plan?

A. Hospitalization and Medical Insurance

The City will continue to pay the cost of hospitalization insurance, in accordance with Collective Bargaining Agreements and City Council Resolutions in effect at the time of retirement. After age 65, if you are eligible for Medicare, the City will provide a supplement to your

Medicare benefits.

The City requires that you enroll in Parts A and B of Medicare if you are eligible by Medicare rules. You must supply the Retirement Office with a letter from the Social Security Administration if you are not eligible for Medicare.

Members may continue family coverage for eligible dependents, however, any cost for coverage for dependents other than your spouse will be deducted from your monthly benefit.

Death Benefit Plan

If a retiree has ten years of service or less, at a cost of \$1.08 per year, the retiree may choose to be insured for \$1,680. This benefit is increased by \$84 for each additional year of service.

Life Insurance

Upon retirement, you may arrange to convert your group term policy to a regular individual policy. The current carrier of group coverage for City employees is the John Hancock Insurance Company.

Dental Program

Retiree and spouse are eligible for dental coverage currently administered by Bankers Life & Casualty. Other dependents are not eligible for this coverage.

Optical Program

Retiree and spouse are eligible for an optical program currently administered by Bankers Life & Casualty. Other dependents are not eligible for this coverage.

Q. Am I required to enroll in Medicare at age 65?

A. The City requires that you enroll in Parts A and B of Medicare if you are eligible by Medicare rules. You must supply the Retirement Office with a letter from the Social Security Administration if you are not eligible for Medicare.

Q. Suppose my spouse and I divorce before I retire, are my benefits affected?

A. If your accrued retirement benefits are included as a marital asset in a divorce property settlement, the courts can allocate the marital portion of your pension and/or annuity among the involved parties under an Eligible Domestic Relations Order (EDRO). You should consult with your attorney concerning Public Act 46 of 1991.

