



Mid-Career and Retirement-Eligible

# Pre-Retirement Guide

Public Employees' Retirement System of Mississippi



## Never Too Early to Plan

Planning for retirement is not a one-size-fits-all process. Everyone has his or her own schedule and timeline. However, one common thread in everyone's planning process should be to start early.

From the day you start working, you should begin preparing for retirement. Once you start working for an employer covered by the Public Employees' Retirement System of Mississippi (PERS), you should seek to understand how PERS figures into your retirement planning and preparation.

Retirement preparation and planning with PERS includes:

- Tracking your account information;
- Deciding what your financial needs will be and how many years you will work;

- Understanding how service credit works and resolving any associated questions or concerns;
- Understanding the options available to protect you and your loved ones;
- Scheduling time to learn more about your options; and
- Taking advantage of a defined contribution savings plan.

This PERS Pre-Retirement Guide provides a retirement-planning overview for mid-career and retirement-eligible PERS members. While this guide should provide a sufficient overview for those who are a few years away from retirement, the PERS Service Retirement Guide is also available to give insight into the actual retirement application process for members who are eligible and ready to retire now.

## Understanding PERS

Understanding your retirement plan does not have to be complicated, especially with the tools we offer. For more information about PERS, visit us online or read through the PERS Member Handbook. Other resources include newsletters, annual reports, member statements, educational opportunities, and a dedicated staff to talk with you one-on-one. We are here to help you understand your retirement system.



Providing Benefits for Life



# PERS Retirement Tiers

As outlined in the chart below, your date of hire and entry into PERS dictate your retirement tier. Each tier has its own required vesting period, required years

of service to earn retirement eligibility, service retirement formula, Partial Lump Sum Option (PLSO) eligibility, and non-duty-related-disability plan.

As long as you do not refund your contributions, you remain in the same retirement tier if you terminate employment.

Retirement Tier	Hire/Entry Date	Vesting Period	Retirement Eligibility	Service Retirement Formula	PLSO Eligibility	Non-Duty-Related Disability Retirement
<b>Tier 1</b>	June 30, 1992, or earlier	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Age-Limited Plan, unless elected coverage under Tiered Disability Plan
<b>Tier 2</b>	July 1, 1992, through June 30, 2007	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Tiered Disability Plan
<b>Tier 3</b>	July 1, 2007, through June 30, 2011	8 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age	Tiered Disability Plan
<b>Tier 4</b>	July 1, 2011, or later	8 years	30 years at any age or age 60 and vested	2 percent per year for up to 30 years, plus 2.5 percent per year for each year over 30, with an actuarial reduction for each year of creditable service below 30 or for each year in age below age 65, whichever is less; No minimum monthly benefit	33 years at any age	Tiered Disability Plan

# Decide How Many Years to Work

## More Years Means Higher Benefit Payments

A little planning and patience could make a big difference in your benefits when determining the best time for you to retire.

While retirement may seem far away right now and the idea of working more than the minimum number of required years may seem daunting, your tenacity and perseverance could lead to more change in your pocket when you get ready to leave the workplace.

Simply put, the longer you work, the higher your benefit could be. Each year that you work in covered service beyond the minimum 25 or 30 (based on your retirement tier) increases your Service Credit Factor (used to calculate your monthly benefit) by 2.5 percent. Plus, any pay raises during these years could increase your average compensation (also used to calculate your monthly benefit), thereby further increasing your monthly benefit. These increases also positively affect the base upon which your Cost-of-Living Adjustment (COLA) is calculated.

The chart at right illustrates how a member's annual maximum benefit (including the COLA) can significantly change based on working five years longer. From a retirement planning perspective, working additional years also allows you to continue to build any other retirement savings, such as deferred compensation funds (see page 7) through additional contributions and, potentially, investment income.

## Partial Lump Sum Option

Another benefit of working longer is becoming eligible to select a Partial Lump Sum Option (PLSO) distribution at retirement in an amount equal to 12, 24, or 36 months of your maximum benefit. Eligibility is based on the applicable retirement tier (see page 3) and is only available to first-time retirees.

The PLSO reduces your monthly benefit for life, but could provide you with a needed lump sum of money for beginning your retirement. Seek assistance from a financial advisor and/or a tax professional to help you decide if selecting the PLSO is the right choice for you and your retirement needs.

## The Five-Year Difference

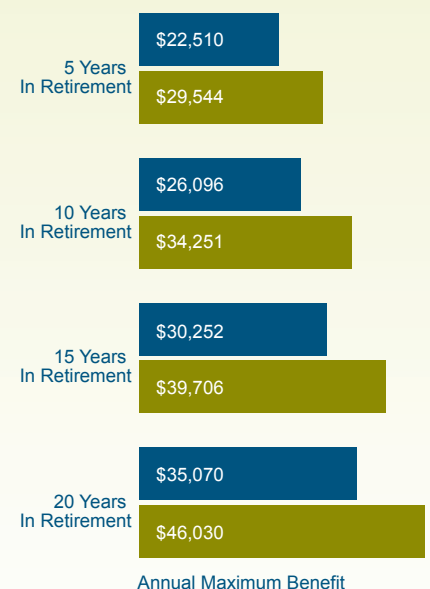
The chart below illustrates how a member's annual maximum benefit (including the COLA) can significantly change based on working five years longer. While the illustration below is for retirement tiers 1 through 3, the same principle applies for members in retirement tier 4.

### 25 Service Years

\$40,000 average compensation  
\$20,000 annual maximum benefit at age 60

### 30 Service Years

\$42,000 average compensation  
(assumes 1 percent average annual salary increase)  
\$26,250 annual maximum benefit at age 65





# Protect Your Survivors, and Stay Informed

## Survivor Benefits

An untimely death of a loved one is difficult, but having a firm understanding of survivor benefits can make navigating these troubled waters a bit easier for your beneficiaries.

Coverage for duty-related death benefits begins on the first day of your employment and is available to your spouse and dependent children regardless of your vesting status. If you are vested, your spouse and dependent children may be eligible to receive benefits under either non-duty or duty-related death benefit

provisions, whichever provides the higher benefit. For more information, refer to the PERS Survivor Retirement Guide and make sure your loved ones know about this valuable resource, as well.

## Advanced Application

If you decide to continue to work after becoming eligible to retire, filing Form 16, *Advanced Application*, (found online) is important because it establishes how your benefits are to be paid in the event of your death before retirement.

Regardless of who you have named as beneficiary, survivor benefits are payable first to your lawful spouse and/or dependent children unless you have filed an *Advanced Application*.

Filing an *Advanced Application* does not lock you in to a particular retirement option or beneficiary; you may file a new *Advanced Application* at any time prior to your effective date of retirement. For more information, refer to the PERS Member Handbook.

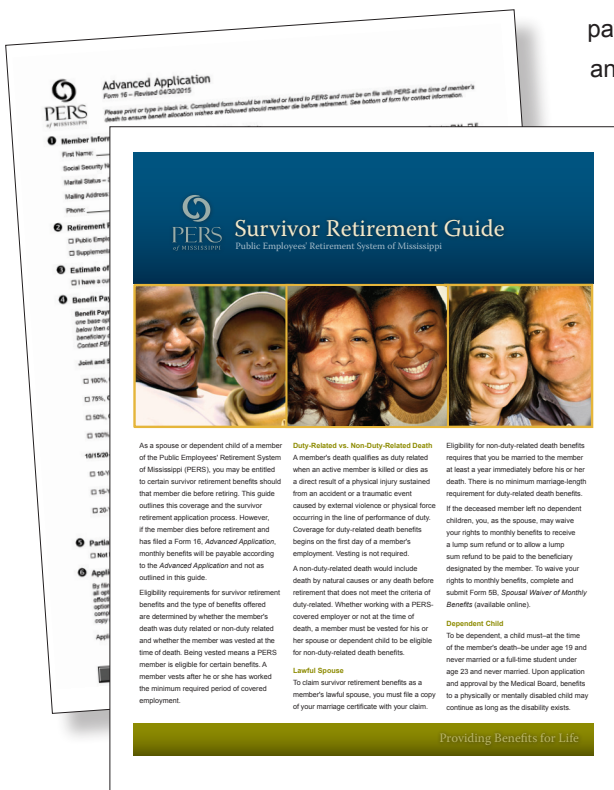
## Retirement Education

While handbooks and guides are helpful, we understand the importance of personal interaction when you have questions or need clarification about PERS. Therefore, we offer several face-to-face training platforms for mid-career and retirement-eligible members wanting to learn more about PERS benefits.

**Pre-Retirement Full-Day Seminars** are conducted throughout the state to help you make or modify your long-term financial plans. Topics include estate planning; Mississippi Deferred Compensation Plan & Trust; Social Security benefits; and PERS. These sessions are helpful for retirement-ready individuals, as well as early-to-mid-career individuals who want to begin planning now.

**Focus Sessions** are offered every Tuesday and Thursday in the PERS Building and provide comprehensive information on PERS benefits and retirement options as well as on the retirement process. These two-hour small-group sessions are particularly helpful to members considering retirement in the next few years.

You may also contact PERS to schedule a one-on-one session with a PERS analyst.



# Follow the Three-Legged-Stool Approach

## Retirement Stability

Any time is a good time to start saving for the future, and using the three-legged-stool approach to saving provides a strong and stable foundation for a more secure retirement.

Your defined benefit with PERS provides one important leg of retirement security. In addition, a strong retirement plan includes Social Security and personal savings.



## Defined Benefit Plans

PERS is a defined benefit plan. Under a defined benefit plan, your retirement benefits are based on a formula that factors your years of service credit and your average compensation.\*

Funding for defined benefit plans comes from investment earnings on member and employer contributions. These investments are handled by professional investment managers hired by the PERS Board of Trustees.

Defined benefit plans are designed based on strength in numbers, automatic participation, and pooled risk so that members are guaranteed to receive lifetime benefit payouts at retirement, regardless of market downturns.

## Defined Contribution Plans

Under a defined contribution plan,\*\* retirement benefits are based on the investment earnings on your contributions. You control how your money is invested, and you can take your account balance with you when you leave employment.

\* *Average compensation is defined as a member's average salary for the four highest paid years of employment. These years may be calendar, fiscal, a combination of both with no overlapping, or the member's final 48 months of employment.*

\*\* *Examples include: 401(a), 401(k), 403(b), and 457(b)*

# Consider MS Deferred Compensation

## Even Small Investments Can Make a Difference

Regardless of whether you are a couple of decades or just a few years from retirement, enrolling in Mississippi Deferred Compensation Plan & Trust (MDC) or like plan is an integral part of the three-legged stool approach to retirement planning.

MDC is a voluntary supplemental tax-deferred defined contribution retirement savings plan offered through PERS to all state employees, elected officials, employees of participating political subdivisions, and independent contractors of the state or participating political subdivisions. It is a convenient and valuable way to supplement retirement income regardless of your age and salary and no matter how investment-savvy you may be. Plus, plan participation offers two tax advantages:

- Your current income taxes are reduced immediately because you defer part of your compensation.
- Any interest and/or earnings also accumulate on a tax-deferred basis until paid.

If you enroll in MDC, the actual amount you will have at retirement will be determined by (1) how much you invest, (2) when you begin investing, and (3) the performance of your investments. For example, if you contribute \$25 every two weeks (\$650 a year) and earn an annual compounded return of 7 percent, you would have the following:

- After five years: \$3,872
- After 10 years: \$9,304
- After 20 years: \$27,605
- After 30 years: \$63,607

For more information, visit MDC online at [www.mdcplan.com](http://www.mdcplan.com).



## Retirement Catch-Up

MDC offers a special “catch-up” provision with higher contribution limits to allow participants to contribute more to the MDC plan when they are within three years of retirement eligibility.

As a participant in MDC, you may use the retirement catch-up provision during any or all of the three taxable years prior to the year in which you become eligible for retirement. Participation in retirement catch-up means that you may be able to defer higher amounts (up to twice the normal annual maximum).

A 50-plus catch-up is also available for employees who are at least age 50, regardless of years of service.

For more information on the retirement catch-up plans, contact MDC.



Public Employees' Retirement System of Mississippi  
429 Mississippi Street, Jackson, Mississippi 39201-1005  
800.444.7377 or 601.359.3589  
customerservice@pers.ms.gov  
www.pers.ms.gov



## Other Resources

The following resources can be found on the PERS website.

- PERS Member Handbook
- PERS Service Retirement Guide
- PERS Disability Retirement Guide
- PERS Survivor Retirement Guide
- PERS Employer Guide to Certifying Leave to PERS
- PERS Board Regulation 49, *Military Service*
- PERS Board Regulation 51, *Administration of Certification of Accumulated Unused Leave for Service Credit and Lump Sum Payments of Leave at Termination/Retirement*
- PERS Board Regulation 64, *Purchase of Service Credit in the Public Employees' Retirement System at Actuarial Cost*

## Disclaimer

This guide is published for members of the Public Employees' Retirement System of Mississippi (PERS) to provide general information regarding PERS laws, policies, and regulations and is subject to periodic revision as laws, policies, and regulations change. See all current PERS Board of Trustees Regulations at [www.pers.ms.gov/Content/Pages/Board-Regulations.aspx](http://www.pers.ms.gov/Content/Pages/Board-Regulations.aspx).

PERS administers the benefits described in this guide on behalf of participating employers. This guide is meant to serve as a general reference to our members and should not be used as a legal reference or a complete statement of the laws or administrative rules related to retirement. If any conflict exists between the information in this guide and the applicable laws or administrative rules, the laws and administrative rules shall prevail.