
City of Duluth GMEBS Retirement

April 11, 2024



Defined Benefit vs. Defined Contribution

- Defined Contribution is a '401k style' retirement plan where both the employer and employee contribute funds to a retirement savings account with various investment choices.
- Defined Benefit (pension) is a formula-based plan that pays a monthly benefit to you for the rest of your life.

Retirement Eligibility

- Normal Retirement – full accrued benefit
 - 65 with at least 5 years of service
 - 62 with at least 20 years of service
 - 60 with at least 25 years of service

*(includes service from before 3/1/2002)
- Early Retirement – reduced benefit
 - 55 with at least 10 years of service

Factors for Benefit Calculation

- Credited Service – years/months worked for the city or other purchased service.
 - Includes service effective 3/1/2002
 - 173 hours of unused sick leave counts as one month of service
- Final Average Earnings – highest 60 consecutive months
- Benefit Multiplier
 - 1.5% benefit multiplier

Benefit Calculation Example

Example*

- 20 years of credited service
- Final Average Earnings \$60,000
- Benefit Multiplier = 1.5%

- $20 * .015 * \$60,000.00 = \$18,000$
- $\$36,000.00 / 12 = \$1,500$ Monthly Benefit

Joint Survivor Options

- Lifetime monthly benefit for retiree only
- Lifetime Survivor benefit with pop up – results in reduced benefit with potential for full benefit (100%, 75%, 50%, 25%)
 - Reduction based on age difference and election
- Survivor Benefit for designated period – results in permanent reduction in benefit (5, 10, 15, 20 years)

Joint Survivor Options continued

Example of Reduction for Naming Joint Survivor

Retiree Only monthly benefit equals \$1,500

Age of Retiree – 65

Age of Joint Survivor – 61

Contingent Annuity Factor

100% .820 = \$1,230.00

75% .859 = \$1,288.50

50% .901 = \$1,351.50

25% .948 = \$1,422.00

Survivor Benefit

\$1,230.00

\$966.38

\$678.75

\$355.50

How to Read a Benefit Statement

- Accrued Benefit vs. Vested Benefit
- Normal Retirement Date – estimated benefit based on current earnings and continuous employment
- Early Retirement Date – same as above but will be reduced by early retirement factor and less years of service
- Service Used in Calculation – includes other credited service
- Employee Contribution Balance – contributory employers only

How to Read a Benefit Statement (continued)

Date of Birth: 05/08/1974
Date of Hire: 01/26/2015

YOUR ESTIMATED MONTHLY RETIREMENT BENEFITS (AS OF July 1, 2023)

PLEASE NOTE THAT THE SERVICE CREDIT AND ESTIMATED BENEFITS SHOWN BELOW ONLY INCLUDE SERVICE WITH THIS EMPLOYER. SEE MORE INFORMATION ON REVERSE SIDE.

1. Normal Retirement Date (NRD)	06/01/2039	Benefit at NRD (Age 65)	\$1,524.07
2. Early Retirement Date (ERD).....	06/01/2029	Benefit at ERD (Age 55)	\$449.98
3. Accrued Monthly Benefit	\$489.57	Service Used in Calculation.....	8.4200
4. Vested Accrued Monthly Benefit.....	\$489.57		

Portability of Service

- Helps to achieve vesting through continued work with another GMEBS entity
- Must apply for separate benefit from each employer
- Some GMEBS employers do not allow portable service

Other information

- Cliff Vesting at 5 Years
- Effective Retirement Date is always the first of the month
- Death Benefits
 - Pre-Retirement – Must be vested
 - Post Retirement – declared when you complete retirement application.
 - 36-month guarantee for option A

Application Process

- Retirement application will be completed by the city
- Elect your benefit payment option
- Complete direct deposit and tax forms

Questions ???

Contact Information

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