
City of Duluth GMEBS Retirement

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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. The Duluth GMEBS retirement plan is a Defined Benefit plan.

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Retirement Eligibility

- Normal Retirement at 65 with at least 5 years of service – full accrued benefit
- Early Retirement at 55 with at least 10 years of service – reduced benefit
- Alternative Normal Retirement options
 - Age 62 with 20 years of service
 - Age 60 with 25 years of service

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Factors for Benefit Calculation

- Credited Service
 - Years worked with city since 3/1/2002
 - Unused sick leave (173 hours equals 1 month)
- Final Average Earnings – 5 years highest paid consecutive years (does not include health insurance opt-out payments)
- Benefit Multiplier – 1.5%

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Benefit Calculation Example

Example

- 20 years of credited service
- Final Average Earnings \$50,000
- Benefit Multiplier = .015

$$20 * \$50,000 * .015 = \$15,000$$

Divide by 12 months = \$1,250 per month

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Joint Survivor Options

- Lifetime monthly benefit for retiree only
- Lifetime Survivor benefit with pop up – results in reduced benefit with potential for full benefit
- Survivor Benefit for designated period – results in permanent reduction in benefit

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Joint Survivor Options continued

Example of Reduction for Naming Joint Survivor

Retiree Only monthly benefit equals \$2100

Age of Retiree – 65

Age of Joint Survivor – 61

Contingent Annuity Factor

100% .820 = \$1,722.00

75% .859 = \$1,803.90

50% .901 = \$1,892.10

25% .948 = \$1,990.80

Survivor Benefit

\$1,722.00

\$1,352.92

\$946.05

\$497.70

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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
- Does not count toward either of the alternative normal retirement options

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Other Issues

- 5 Year Cliff Vesting
- Effective Retirement Date is always the first of the month
- Death Benefits
 - Pre-Retirement – named beneficiary; must be vested
 - Post Retirement – guaranteed 3-year total payout if no joint survivor was named

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Questions ???

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