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SERS Reversionary Annuity Fact Sheet

The Reversionary Option

When you retire, you will receive a regular retirement benefit unless you elect to receive a reversionary annuity.

The SERS Reversionary Annuity option lets you elect to reduce your retirement benefit to provide a lifetime income for your designated dependent after your death. However, a regular retirement benefit provides the largest amount payable to you throughout your lifetime.

The reversionary annuity is useful for providing income to a surviving spouse or other dependent who didn't work, or worked very little, and won't receive much retirement or Social Security income. If your life expectancy is limited, or your dependent is significantly younger, the reversionary annuity might be a good option for you.

If you choose the reversionary annuity, **IT CANNOT BE RESCINDED**. If the designated dependent dies before you, the reversionary annuity is void and your retirement benefit is not recalculated. If you terminate your marriage or civil union with your designated dependent, then your retirement benefit is not recalculated and a reversionary annuity will be payable to them following your death.

A dependent is a spouse or anyone who you can show is dependent on you at the time of your retirement. The reversionary annuity does not have an annual cost of living increase.

This benefit is paid in addition to any SERS survivor benefits that may be payable at your death. You may choose a reversionary annuity benefit continuation in 10% increments from 10% to 100% of your retirement benefit.

The following two examples should provide you with a better understanding of how the reversionary annuity works.

EXAMPLE 1 | 100% REVERSIONARY

Pension of $4,000

$433 per month reduction of pension. Member's pension is now $3,567 per month.

$3,567 per month for survivor to receive the reversionary benefit in addition to regular survivor benefit.

Surviving spouse now receives $3,567 per month as a reversionary benefit, plus the $1,783.50 survivor benefit ($5,350.50 total).

Survivor Benefit – Gets increases
Reversionary – Does **NOT** get increases

Example #1: A member is planning on retiring with a monthly retirement benefit of $4,000 without the reversionary annuity. His spouse, age 58, is assumed to be dependent and is eligible for the reversionary annuity.

He decides that in addition to the SERS survivor benefit payable to his spouse after his death, he would like to provide her with extra income.After a review of their financial situation, the member decides that he wants his spouse to receive 100% of his retirement benefit after his death.

In order to provide his spouse with 100% of his retirement benefit, he chooses the reversionary annuity. The member will receive a reduced retirement benefit of $3,567 per month, plus he receives the yearly 3% increase until his death.

After he dies, his spouse will receive 100% of the retirement benefit being paid at his death for her lifetime, and may also be eligible for a survivor benefit. If the spouse dies before the member, the reversionary annuity is void, but the member's retirement benefit cannot be recalculated.

EXAMPLE 2 | 50% REVERSIONARY

Pension of $4,000

$230 per month reduction of pension. Member's pension is now $3,770 per month.

$3,770 per month for survivor to receive the reversionary benefit in addition to regular survivor benefit.

Surviving spouse now receives $1,885 per month as a reversionary benefit, plus the $1,885 as a survivor benefit ($3,770 total).

Survivor Benefit – Gets increases
Reversionary – Does **NOT** get increases

Example #2: A member with a retirement benefit of $4,000 per month without the reversionary annuity. He decides to provide his spouse, age 58, with 50% of his retirement benefit after his death.

In order for his spouse to receive 50% of his retirement benefit, he chooses the reversionary annuity. His retirement benefit is reduced to $3,770 per month, plus he receives the yearly 3% increase, until his death.

After he dies, his spouse will receive 50% of the retirement benefit being paid at his death for her lifetime, and may also be eligible for a survivor benefit. If the spouse dies before the member, the reversionary annuity is void,but the member's retirement benefit cannot be recalculated.

All SERS members have the option of choosing a reversionary annuity at retirement. The reversionary annuity allows a member to reserve part of their retirement benefit for anyone who is dependent on them at retirement. The reversionary annuity reduces your monthly retirement benefit, but provides a lifetime income for your designated dependent.

If you want to obtain an estimate or apply for the Reversionary Annuity, contact SERS at 217-785-7444.