

The Retirement Plan  
For  
The City of Charlottesville

*Member Handbook  
For  
General Employees  
Hired on or After July 1, 2017  
(Plan 3)*

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# Foreword

This handbook summarizes the main provisions of The Retirement Plan for The City of Charlottesville (the Plan) for general employees who entered active employment on or after July 1, 2017. This handbook is not a legal document, but is intended only to provide general information regarding the Plan. The detailed provisions of the Virginia Code and Chapter 19 of the Charlottesville City Code, 1990, as amended, govern the actual operation of the Plan. In the event of any conflict between the information contained in this handbook and the provisions of the Code, the provisions of the Code will govern. A searchable copy of the Code of the City of Charlottesville may be found at [www.charlottesville.org](http://www.charlottesville.org) under Departments and Services, City Attorney's Office, City Code.

Be aware that changes may occur after the printing of this handbook and such changes could affect your benefits. Members will be notified if and when such changes occur. Any questions regarding your retirement benefit entitlement, benefit estimates, refund of contributions, or taxation of retirement benefits should be directed to the City of Charlottesville Department of Human Resources.

The Plan represents an important source of financial security to you and your family. Members are encouraged to read this handbook carefully to understand your rights and responsibilities under the Plan

# The Plan Mission Statement

The mission of the Plan and its administrators is to deliver timely and effective communication and retirement services to the members of the Plan, the Retirement Commission, city officials, departments, and City Council with integrity and professionalism.

# 1 Introduction and Overview

The Retirement Plan for the City of Charlottesville is a public sector defined benefit plan, which operates under terms incorporated in the Code of the City of Charlottesville, 1990, Chapter 19. The Charlottesville City Council authorizes all changes governing the provisions of the Plan.

The Plan has been amended several times as necessary over the years since its inception. The information provided in this handbook includes **only** those provisions applicable to general employees covered under the traditional Defined Benefit Plan and hired on or after July 1, 2017 who have not elected participation in the Defined Contribution Plan.

## THE RETIREMENT PLAN COMMISSION

The Plan is governed by the Retirement Plan Commission, which administers the retirement program according to the requirements of the Code of the City of Charlottesville and other governing law. The Commission is comprised of a member of City Council, the City Manager, the Director of Finance, the Director of Human Resources, the City Treasurer, three (3) employees of the City or of any other agency participating in the City's retirement plan, one (1) retiree in the City's plan, and two (2) members of the community.

## PLAN ADMINISTRATION AND ASSISTANCE

The Benefits Administrator in the Department of Human Resources is available to help you understand the operations of the Plan and answer any questions you may have about your benefits. The Department of Human Resources handles Plan administration and recordkeeping.

# 2 About the Retirement Plan

## A DEFINED BENEFIT PLAN

The Retirement Plan for the City of Charlottesville (the Plan) is a defined benefit retirement plan qualified under Section 401(a) of the Internal Revenue Code. With a defined benefit plan, a set formula is established and used to compute your retirement benefit based upon your compensation level and length of service with the City of Charlottesville.

## BECOMING A MEMBER OF THE PLAN

All full-time regular employees, other than those persons eligible for membership in the Virginia Retirement System, are immediately eligible for membership in the Plan. In addition, persons who work less than full time but at least half time, work less than year round but at least 36 weeks per year are also eligible for membership in the Plan

Persons employed on a temporary, part-time, seasonal, contractual or provisional basis shall not be eligible employees. In case of doubt, the Retirement Commission shall decide who is an eligible employee.

## CONTRIBUTIONS AND FUNDING

The Plan is funded by three sources:

- Member contributions
- City contributions, and
- Investment income.

## MEMBER CONTRIBUTIONS

General employees who participate in Plan 3 contribute 5.00 percent of pay.

Your Plan member contributions are automatically withheld from your salary by the City and credited to an account in your name. As allowed by law, member contributions are treated as employer contributions for federal tax purposes. This means that you will not be required to pay income tax on your Plan contributions until you withdraw deposited funds from the Plan or begin to receive your retirement benefits.

Upon the start of full-time employment, an account is established for each active Plan member. Should you require a refund of your contributions due to termination of employment, interest will be credited to your contributions at a rate specified by the Retirement Commission. Currently, the interest rate used to determine refund amounts is 3 percent. Based upon the Plan's financial standing, the Retirement Commission may adopt a different rate for a particular year. Interest is credited on June 30 of each year.

## 2 About the Retirement Plan

### CITY CONTRIBUTIONS

The exact share of the City of Charlottesville's contributions to the Plan is determined by City Council as part of the budget process, upon the recommendation of the Retirement Commission and its actuary. The funding policy of the Plan is to establish and receive contributions that will remain approximately level (as a percentage of pay) from generation to generation of members, and which, when combined with other assets, will be sufficient to pay benefits when due, while providing a reasonable margin for adverse experience.

### INVESTMENT INCOME

Investment income is an integral component of the income structure utilized to pay Plan member benefits. The Retirement Commission has adopted a written statement of investment policy, guidelines and objectives for the investment of the Plan's assets. Each investment manager must adhere strictly to the guidelines established by the Commission for investment asset quality, diversification, liquidity and risk. The investment results of each manager, as well as the results for the total fund, are monitored by independent investment consultants who report their findings to the Commission on a quarterly basis.

The Commission's investment policy as well as a complete review of the Plan's financial statements and investments is available in the Comprehensive Annual Financial Report (CAFR), which may be viewed on the City of Charlottesville website. Members may also request a copy by contacting the Department of Finance at the City.

### PLAN YEAR

Records are maintained on a fiscal year basis. The plan year is July 1 through June 30.

# 3 Qualifying for Retirement Benefits

## OVERVIEW

Whether you qualify for a Plan retirement benefit depends upon your age at the time your benefits commence and/or the amount of Creditable Service you have earned during your City career.

Under the Plan, you are entitled to an unreduced retirement benefit if:

- You are age 65 and are vested, or
- You are age 60 and have completed 30 or more years of Creditable Service

Under the Plan, you are entitled to a reduced retirement benefit if:

- You are age 60 **and** have completed 5 or more years of Creditable Service

## CREDITABLE SERVICE

With a few exceptions, Creditable Service refers to the aggregate period of service, whether or not continuous, as an active Regular City General employee. Creditable Service may also include Military Service Credit earned during active City employment, to the extent required by federal law. You cannot receive more than one year of Creditable Service for any fiscal year.

Creditable Service also includes one half of your accumulated unused sick leave as of the date of retirement, up to a maximum of 2,000 hours. Unused sick leave counts as Creditable Service for the calculation of your benefit only, not for purposes of eligibility to retire.

## VESTING SERVICE

Vesting refers to the point at which you have earned the right to receive a benefit from the Plan. Under the Plan benefit structure, a member is vested after completing a minimum of five years' Vesting Service. You receive Vesting Service credit for all periods of elapsed time while you are a full-time, regular active City employee. To the extent required by federal law, you may also receive Vesting Service for periods of active duty military service. You cannot receive more than one year of Vesting Service for any fiscal year. You do not receive Vesting Service credit for periods of service less than 9 months.

## DEFERRED VESTED BENEFIT

To be "vested" means that you have earned the right to receive a retirement benefit, even if you leave the Plan before you retire. If you leave the Plan as a vested employee and retain your Accumulated Contributions on deposit in the Plan, you will be eligible to receive a retirement benefit beginning at age 65. See Chapter 8 in this handbook for more information about preserving your vested status when you leave the Plan before retirement.

# 3

## Qualifying for Retirement Benefits

### PURCHASE OF PRIOR SERVICE

Any member in service who has completed five (5) or more years of creditable service may purchase credit for service for all or part of the following:

- Certified creditable service in the Virginia Retirement System or in the retirement system of another state or of a political subdivision in this or another state which is not considered in the calculation of a retirement benefit;
- Time employed by the city under the CETA program;
- Any period of full-time service rendered to the City of Charlottesville on a temporary or seasonal basis, provided that such period has not been previously included in the creditable service.
- Active military service in the armed forces of the United States, provided that the member's discharge from the armed forces was not dishonorable.

In general, a member must pay 10% of the greater of current annual compensation or highest 36 month average compensation for each year of service purchased. There are restrictions with respect to how the purchased service is used in the determination of retirement benefits. If you have an interest in the purchase of prior service, please contact the Benefits Administrator in the Department of Human Resources for more information.

### PORTABILITY

The city has entered into a reciprocal asset transfer and pension portability agreement with the Virginia Retirement System ("VRS"). The agreement allows any vested member of the VRS, upon becoming a member of the city's defined benefit retirement plan, to purchase creditable service in an amount determined by the city's retirement commission for service rendered under the VRS. The purchase must be made within 18 months of becoming vested in the city's defined benefit retirement plan and shall be accomplished by and upon the transfer of assets to the city's plan from the VRS as provided in the agreement.

A vested member of the city's defined benefit retirement plan who enters service in a covered position under the VRS may purchase creditable service in an amount determined by the VRS board of trustees for service rendered under the city's retirement plan. The purchase shall be accomplished by and upon the transfer of assets to the VRS by the city's retirement commission as provided in the agreement.

### MILITARY SERVICE CREDIT

You may be entitled to Military Service Credit, pursuant to federal law, including Section 414(u) of the Internal Revenue Code. The Plan will grant Creditable Service as the law dictates, and you are not required to make member contributions as a condition of receiving that credit. If you are called to active duty military service while you are an active Plan member, you should immediately notify the Department of Human Resources of your leave assignment. Upon completing your active duty military assignment, you must return to your City Eligible Employment within the time period specified by law in order to receive credit for the leave.

# 4 Estimating Your Plan Benefit

Your Plan benefit is designed to supplement the benefit you will also earn and receive separately from Social Security. The Plan benefit is based upon your five-year Average Final Compensation (AFC), your years of Creditable Service and your age (if you have less than 30 years of creditable service).

In projecting your benefits, you may choose to:

- Request an estimate of your benefits from Human Resources, **or**
- Perform manual calculations using the formula cited in the following chart.

Your monthly Plan benefit is determined by the following formula:

## BENEFIT FORMULA

$$\begin{array}{r} 1.60\% \text{ of} \\ \text{Average Final} \\ \text{Compensation* (AFC)} \end{array} \quad \times \quad \begin{array}{r} \text{Years of} \\ \text{Plan Creditable} \\ \text{Service} \end{array} \quad \div \quad 12 \text{ months} \quad = \quad \begin{array}{r} \text{Plan Unreduced} \\ \text{Monthly Benefit} \\ \text{Retirement} \\ \text{Annuity} \end{array}$$

\* *Average Final Compensation (AFC) = Highest average salary paid over the 5 consecutive years of creditable service which produce the highest average.*

## BENEFIT REDUCTIONS

If you retire before age 65 with less than 30 years of Creditable Service, the amount determined from the formula above will be reduced by 1/2 of one percent for each complete month by which retirement precedes the earlier of age 65 or the date on which you would have completed 30 years of service had you remained employed.

## BENEFIT EXAMPLES

In the first example (see following page), we demonstrate the calculation of benefits for a Plan member at age 65, retiring after completing 30 years of Creditable Service as a General employee of the City of Charlottesville. In the second example, we demonstrate the calculation of benefits that would commence at age 60 for a fully vested Plan member with fewer than 30 years of Creditable Service as a General employee of the City of Charlottesville.

# 4 Estimating Your Plan Benefit

EXAMPLE 1: Traditional Plan Service Retirement Benefit – 30 Years’ Creditable Service		
<b>Sample Calculation Assumptions:</b> A general employee at age 65 retiring with 30 years of Creditable Service under the Traditional Defined Benefit Plan and an Average Final Compensation (AFC) of \$40,000.		
STEP 1	<b>Multiply the Average Final Compensation (AFC) by 1.60%</b>	
	$\$40,000 \times 1.60\% =$	\$640
STEP 2	<b>Multiply the total from Step 1 by Years of Creditable Service to determine the Annual Plan benefit.</b>	
	$\$640 \times 30 \text{ years} =$	\$19,200
STEP 3	<b>Divide the total from Step 2 by 12 to determine the monthly Plan benefit.</b>	
	$\$19,200 \div 12 =$	\$1,600

EXAMPLE 2: Traditional Plan Early Service Retirement Benefit – Age 60 with Fewer than 30 years’ Creditable Service		
<b>Sample Calculation Assumptions:</b> A general employee commencing retirement at age 60, with 20 years of Creditable Service under the Traditional Plan and an Average Final Compensation (AFC) of \$40,000.		
STEP 1	<b>Multiply the Average Final Compensation (AFC) by 1.60%</b>	
	$\$40,000 \times 1.60\% =$	\$640
STEP 2	<b>Multiply the total from Step 1 by Years of Creditable Service to determine the Unreduced Annual Plan benefit.</b>	
	$\$640 \times 20 \text{ years} =$	\$12,800
STEP 3	<b>Calculate the reduction factor as <math>1 - (.5\% \times \text{the lesser of } \{65 - \text{Age}, 30 - \text{Service}\} \times 12)</math>.</b>	
	$1 - (.5\% \times 5 \text{ years} \times 12) =$	.70
STEP 4	<b>Multiply the total from Step 2 by the reduction factor from Step 3 to determine the Reduced Annual Plan benefit.</b>	
	$\$12,800 \times .70 =$	\$8,960
STEP 5	<b>Divide the total from Step 4 by 12 to determine the monthly Plan benefit.</b>	
	$\$8,960 \div 12 =$	\$747

# 5 Your Benefit Payment Options

## OVERVIEW

The normal form of benefit payment under the Plan is an annuity payable for the lifetime of the participant. This benefit stops at the death of the member and thus, provides no payments to your spouse or any other beneficiary. There are two optional forms of payment that you may want to consider as described below.

If you would prefer to establish a continuing benefit for your spouse (or former spouse) after your death, you may elect a Joint and Survivor Option. These optional forms of benefits can also be used to provide a continuing benefit after your death to a beneficiary other than your spouse.

In addition, a participant who retires early may elect a “Social Security leveling option” under which the participant would receive an increased retirement allowance until the date when his Social Security payments are expected to commence and lower payments thereafter. This produces a nearly level income following retirement.

Your benefit payment option must be elected *prior* to retirement. Once you begin your retirement, you will be unable to change your benefit payment option. Regardless of which benefit payment option you select, in the event you should die before receiving benefits equal to your Accumulated Contributions, the Plan will refund any remaining balance in your account to your Named Beneficiary or to your estate (*if there is no Named Beneficiary*).

The following paragraphs detail each of the benefit payment options available to you in retirement. This section is followed by a list of important restrictions that may affect your selection of a benefit payment option.

## FORMS OF BENEFIT PAYMENTS

### Basic Benefit Payment Option

Under the Basic Benefit payment option, you will receive monthly retirement benefits for life. Upon your death, neither your surviving beneficiary nor your estate will receive an ongoing pension benefit.

### Joint & Survivor Options — 50, 66 2/3, 75 or 100 Percent Survivor Option with or without Pop-Up

Joint & Survivor Options allow you to provide ongoing survivor benefits for an eligible Beneficiary upon your death. If you elect one of these optional forms of payment, your monthly benefit during retirement will be reduced based upon your age and the age of your Beneficiary rounded to the nearest year as of the date of determination. The amount of the reduction also depends on how much of the benefit you wish to continue to your Beneficiary. The larger the amount that continues to your Beneficiary, the larger the reduction in the amount that you will receive. If you elect a Pop-Up Joint & Survivor Option and your Beneficiary predeceases you, your benefit will pop up to the Basic Benefit amount following the death of your Beneficiary.

- If you elect the 50% Joint & Survivor Option, you will receive reduced monthly payments for your life. If you die before your Beneficiary, a monthly payment will continue to your Beneficiary for his or her lifetime in an amount equal to 50% of the amount you were receiving.

## 5 Your Benefit Payment Options

- If you elect the 66 2/3% Joint & Survivor Option, you will receive reduced monthly payments for your life. If you die before your Beneficiary, a monthly payment will continue to your Beneficiary for his or her lifetime in an amount equal to 66 2/3% of the amount you were receiving.
- If you elect the 75% Joint & Survivor Option, you will receive reduced monthly payments for your life. If you die before your Beneficiary, a monthly payment will continue to your Beneficiary for his or her lifetime in an amount equal to 75% of the amount you were receiving.
- If you elect the 100% Joint & Survivor Option, you will receive reduced monthly payments for your life. If you die before your Beneficiary, a monthly payment will continue to your Beneficiary for his or her lifetime in an amount equal to 100% of the amount you were receiving.
- If your beneficiary dies before you, you will continue to receive the reduced monthly payment for your life.
- If you elect a survivor option for your spouse and subsequently divorce, your option cannot be changed and your former spouse will receive the survivor benefit upon your death for his or her lifetime.

### **Social Security Leveling Option**

Under the Social Security Leveling payment option, you will receive an increased monthly retirement benefit prior to the age when you would normally receive your full Social Security benefit and a reduced monthly retirement benefit after that age. The purpose of this option is to provide for a more level total retirement income before and after your Social Security age, taking into account your Primary Social Security Benefit. Upon your death, neither your surviving beneficiary nor your estate will receive an ongoing pension benefit.

### **Child and Spousal Support and Retirement Benefits**

If a member is receiving retirement benefits, the Plan will also comply with orders issued by a Virginia court or agency to enforce your obligation to pay support to a spouse or child. A certified copy of the child or spousal support order must be provided to the Plan. You may contact the Department of Human Resources directly for information regarding child or spousal support payment regulations.

# 6 Death Benefits

## IF YOU DIE BEFORE RETIREMENT

- If you have not completed at least five years of creditable service, your Accumulated Contributions will be payable in a lump sum to your Beneficiary. If you are not married and have not named a Beneficiary, or if your Beneficiary has not survived you, your Accumulated Contributions will be payable in a lump sum to your estate.
- If you had 30 years of service or were eligible for retirement at the date of death (see Chapter 3), your spouse is entitled to receive monthly payments for his or her lifetime equal to the amount which would have been paid if you had retired on the first day of the month following your death after having elected the 100% Joint & Survivor Option (See Chapter 5). If you are not married at the time of your death, your Accumulated Contributions will be payable in a lump sum to your Beneficiary or your estate.
- If you are not eligible for retirement at the date of death but had more than five years of service, your spouse is entitled to receive monthly payments for his or her lifetime equal to the amount which would have been paid if you had retired on the first day of the month following your death after having elected the 50% Joint & Survivor Option (See Chapter 5) payable as of the earliest date you could have retired. If you are not married at the time of your death, your Accumulated Contributions will be payable in a lump sum to your Beneficiary or your estate.

## IF YOU DIE AFTER RETIREMENT

- Under the normal form, benefits are payable for your lifetime only. If you elect one of the Joint & Survivor Options (See Chapter 5), benefits will continue to your survivor after your death.
- If you die before receiving benefit payments equal to the sum of your Accumulated Contributions, your surviving Beneficiary or your estate may apply for a refund of the balance of your residual Accumulated Contributions. Residual Accumulated Contributions is the difference between your Accumulated Contributions balance at the time of retirement and the sum of the pension benefits paid on your account.

# 7 Disability Benefits

## ELIGIBILITY FOR ORDINARY DISABILITY BENEFITS

If you are an active participant with at least five years of Creditable Service, you may retire or may be retired on account of total and permanent disability (as defined in the Plan), which prevents further performance of duty or the pursuit of any gainful occupation at any time prior to your normal retirement date (see Chapter 3).

However, the City may provide Long-Term Disability (LTD) coverage for its employees. No employee will be eligible for disability benefits from the retirement plan while they are receiving LTD benefits. Employee receiving LTD benefits will continue to accrue Creditable Service for the period of time that they are receiving LTD benefits.

Annually, while disabled, you may be required to undergo a medical examination for verification that the disability still exists. Any disability benefit will be discontinued if you refuse to submit to the medical examination and if your refusal continues for more than a year, all rights to any future disability retirement benefits will cease. These examinations will not be required when you reach your normal retirement age.

## ORDINARY DISABILITY BENEFITS

Your annual disability allowance under ordinary disability is the larger of:

The excess of 2% of your average final compensation for each year of disability-credited service less 2.5% of your estimated primary Social Security benefit for each year (up to a maximum of 20 years) of disability-credited service.

Or

1.60% of your average final compensation for each year of disability-credited service.

# 7 Disability Benefits

## ELIGIBILITY FOR SERVICE-CONNECTED DISABILITY BENEFITS

You are eligible for service-connected disability benefits if you are an active participant who retires as a result of total and permanent disability (as defined in the Plan), which prevents further performance of your duty or the pursuit of any gainful occupation and such disability is compensable under the Virginia Workers' Compensation Act.

However, the City may provide Long-Term Disability (LTD) coverage for its employees. No employee will be eligible for disability benefits from the retirement plan while they are receiving LTD benefits. Employee receiving LTD benefits will continue to accrue Creditable Service for the period of time that they are receiving LTD benefits.

Annually, while disabled, you may be required to undergo a medical examination for verification that the disability still exists. Any disability benefit will be discontinued if you refuse to submit to the medical examination and if your refusal continues for more than a year, all rights to any future disability retirement benefits will cease. These examinations will not be required when you reach your normal retirement age.

## SERVICE-CONNECTED DISABILITY BENEFITS

Your annual disability allowance under service-connected disability is the larger of:

An amount calculated as if you had retired under the ordinary disability provisions with the required five years of creditable service eligibility waived if applicable.

Or

The excess of two-thirds of your average final compensation over 50% of your primary Social Security disability benefit.

# 7 Disability Benefits

## ELIGIBILITY FOR PARTIAL DISABILITY BENEFITS

You are eligible for partial disability benefits if you are an active participant who becomes disabled to the extent that you cannot perform the usual and customary duties as an employee of the City and your earnings capacity has been reduced by this partial disability.

However, the City may provide Long-Term Disability (LTD) coverage for its employees. No employee will be eligible for disability benefits from the retirement plan while they are receiving LTD benefits. Employee receiving LTD benefits will continue to accrue Creditable Service for the period of time that they are receiving LTD benefits.

Annually, while disabled, you may be required to undergo a medical examination for verification that the disability still exists. Any disability benefit will be discontinued if you refuse to submit to the medical examination and if your refusal continues for more than a year, all rights to any future disability retirement benefits will cease. These examinations will not be required when you reach your normal retirement age.

## PARTIAL DISABILITY BENEFITS

An annual amount, payable monthly, until the earliest of death, recovery from partial disability, retirement under the Plan for service disability or attainment of age 65 equal to the allowance that you would have been eligible for had you been totally and permanently disabled times a percentage. This percentage is equal to the percentage of your lost capacity in relation to your former capacity as determined by the Retirement Commission.

Any partial disability benefits are offset dollar-for-dollar by any Virginia Workers' Compensation Act benefits.

# 8

## Leaving the Plan before Retirement

If you leave City employment before retirement, your vesting status will determine your eligibility to receive a refund of your Accumulated Contributions or your entitlement to a deferred retirement benefit. As noted in earlier chapters of this handbook, you are vested after you complete five years of Creditable Service.

If you transfer to a City position that is not covered by the Plan, such as a part-time position, you may not receive a refund of your Accumulated Contributions until after you terminate City employment.

### IF YOU ARE VESTED

If you leave the Plan as a vested employee, you will be eligible to receive a “deferred vested” retirement benefit beginning at age 65 (See Chapter 3). By leaving your Accumulated Contributions on deposit, you will preserve your Creditable Service in the Plan.

If you wish to receive your Accumulated Contributions as a lump sum, you may do so. However, you will cease to be a member in the Plan and will not be entitled to any further benefits. If at some point in the future you are re-hired by the City, no Creditable Service attributable to this refund of Contributions will be counted in determining your benefit upon rehire.

If you leave your Accumulated Contributions on deposit, be sure to keep the Department of Human Resources informed of any changes in your address following your employment termination. If you are an eligible member approaching age 65, but not currently working with the City, the Department of Human Resources will attempt to contact you 60-90 days prior to your 65th birthday to remind you of the necessary benefit application process. It is not financially beneficial for a deferred-vested member to postpone an application for benefits beyond age 65.

Federal law requires that you begin to receive your benefits no later than the first April 1st after the calendar year in which you turn age 70 $\frac{1}{2}$ . If you do not begin receiving your benefit by that time, onerous tax consequences will apply.

### IF YOU ARE NOT VESTED

If you leave City employment before you are fully vested with the minimum five years’ Creditable Service, you will receive a refund of your Accumulated Contributions and forfeit your Plan Creditable Service.

### ROLLOVERS

If you receive a refund of your Accumulated Contributions, you may receive your lump sum refund directly, or you may have all or part of the refund rolled over into an Individual Retirement Account (IRA), a Tax-Deferred Annuity (TDA), or to an eligible qualified retirement plan that accepts the funds. If you receive your refund directly, it will be subject to federal and state taxation.

See Chapter 9 for additional information about taxes and your retirement.

# 9 Changes after Retirement

In this chapter, we review changes that may affect your benefits after retirement. We also discuss what occurs if you return to employment after retirement.

## COST-OF-LIVING ADJUSTMENTS

City Council, from time to time and at their discretion, may approve a cost-of-living adjustment (COLA) to be applied to your benefit. Any such COLA granted will be effective on July 1 of the year granted for retirees, disabled members and surviving spouses. Persons retiring on or after July 1, 2017 must have 15 or more years of creditable service in order to receive the COLA. No COLA will be effective prior to the first anniversary of your benefit commencement date.

## TAXES AND YOUR RETIREMENT BENEFITS

Although there may be fewer *overall* deductions taken from your retirement income than those you must typically pay during your career, your retirement benefit is generally subject to both federal and state taxation. Currently, the standard deductions withheld from your benefit payments include:

- Federal income taxes
- State income taxes
- Health Insurance (optional)
- Dental Insurance (optional)

If you opt to continue the available health and/or dental insurance coverage in retirement, your monthly premium(s) will be deducted automatically from your benefit payments, assuming your monthly benefit is large enough to cover the withholding. You will make this selection at the time of retirement. See the Appendix for a description of currently available health and dental insurance coverage for retirees, keeping in mind that those benefits are subject to change.

In certain other circumstances, Human Resources may be required legally to withhold monies from your monthly benefit payments in order to comply with domestic relations orders, child support orders, tax levies, etc. Under such circumstances, Human Resources will implement a court decision only upon receipt of a certified copy of an appropriate order.

When you retire, it is critical that you keep an updated tax form on file with the Department of Human Resources to ensure accuracy in the amount withheld from your monthly benefit payments. If you do not have a completed tax form on file, Human Resources is required by law to withhold federal income tax based on the rate for a married individual claiming three exemptions, plus Virginia state tax (if you reside in Virginia) for a single individual with zero exemptions.

Remember, as any changes occur in your life after retirement, such as a new marriage, a divorce, or the loss of a spouse or other dependent, you may need to update your income tax withholdings. To request a change, you must complete and submit an updated *Federal and State Income Tax Withholding Form*. You may request a copy of this form by contacting the Department of Human Resources.

# 9

## Changes after Retirement

### RE-EMPLOYMENT AFTER RETIREMENT

If you retire and then return to Eligible Employment, your Plan benefit payments will cease and you will become an active participant in the Plan. All previous periods of Creditable Service will be reestablished under the Plan.

### RETURNING TO RETIREMENT AFTER RE-EMPLOYMENT

When you retire again after a period of re-employment, your retirement benefit will recommence. Additional benefits earned during your period of re-employment will be paid in accordance with the provisions of the Plan.

If you die during a period of re-employment, your survivor benefit will be computed in accordance with the provisions of the Plan as if your previous retirement had not occurred and based on the total of your Creditable Service both before and after your period of retirement.

Creditable Service will not be granted for any periods of employment during which you were in receipt of a retirement allowance.

# 10 Planning for Retirement

## PLANNING SERVICES

Retirement can affect people in many different ways. Just determining the right time to retire is a very personal and important decision. Ideally, you will set specific and realistic goals for the lifestyle you project in retirement, and begin targeting those plans long before you lock in the date. Taking the time to plan and prepare, while allowing for flexibility in your future, is surely your best retirement investment.

As a Plan member, you have at least two sources of retirement income with which to plan your future. Upon reaching eligibility you will receive benefits from Social Security, plus the benefit provided by the Plan. You also may be planning to supplement your retirement income through personal savings or contributions to IRAs and deferred compensation plans. Only you can project what it will cost to fully enjoy the lifestyle you envision for your retirement, but Human Resources offers a range of resources to assist you in the process:

- Human Resources staff members are available year-round for personal consultations regarding your benefits and you are always encouraged to seek separate, professional advice from a financial planner or tax specialist to address your personal needs.

The following section provides a recommended timeline to guide you through the steps necessary to plan your retirement.

## KEY MILESTONES FOR PLANNING YOUR RETIREMENT

### DURING YOUR EARLY SERVICE YEARS

1. **Review the Retirement Handbook!**

In reading this far, you've already discovered that there is both a great deal offered and much to understand in your benefit plan. Review this handbook carefully, and keep it as an important reference tool for planning your retirement.

2. **Update Your Beneficiary Form**

At the time you were hired by the City, you were asked to complete a beneficiary form in the event of your death in service. You will want to make certain that this information is kept up-to-date throughout your career, especially when you experience any life changes, such as a new marriage or a divorce. If you are divorced from your Named Beneficiary, the divorce does *not* automatically change your beneficiary designation. You must change it yourself.

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## Planning for Retirement

### 3. **Consider the Purchase of VRS or Other Service Credit**

You may wish to consider purchasing service credit from VRS or other political subdivisions for prior eligible work experience that does not otherwise qualify for pension or retirement benefits.

### 4. **Consider Supplementing your Savings with a Deferred Compensation Plan**

Deferred Compensation Plans allow contributions on a tax-deferred basis as savings toward retirement. The IRS sets limits for maximum contributions, which are higher after age 50. You may be eligible to participate in the City's 457 Deferred Compensation Plan. Contact the Department of Human Resources for more information about your Deferred Compensation Plan options.

#### WITHIN 5 YEARS OF YOUR PROJECTED RETIREMENT DATE

##### 1. **Estimate Your Benefits**

When you are within five years of your intended retirement date, it is time to seriously gauge how well your savings and accumulated benefits align with your projected plans. Use the description in this handbook, or contact the Department of Human Resources directly to request a comprehensive estimate of your benefits.

##### 2. **Review Your Benefit Payment Options**

The Plan offers several benefit payment options to complement your individual lifestyle needs in retirement. *(See Chapters 4 and 5.)* Will you want the Basic Benefit option, in which all your retirement benefits cease upon your death, leaving no ongoing annuity payments for your surviving spouse or beneficiary? Or, do you have a special need, such as a disabled child for whom you will want to arrange a survivor benefit option? Although you are not required to lock in your benefit payment selection until you actually apply for retirement, it is important that you familiarize yourself with all your options early in your retirement planning. Once you retire, you will no longer be able to switch your benefit payment option, so do your homework early!

##### 3. **Meet with a Staff Member/ Financial Advisor**

Human Resource staff members are available year-round for personal benefit consultations. However, for any issues regarding your personal savings or investments, you are advised to seek separate professional advice from a financial planner or tax specialist.

#### WITHIN 12–18 MONTHS PRIOR TO RETIREMENT

##### 1. **Decide on a Retirement Date**

You may retire on the first day of any month during the calendar year.

##### 2. **Gather Your Paperwork Early**

When you do officially apply for retirement, you will be asked to provide Human Resources with a variety of personal documents and/or information, including:

- A documented proof of age *(A certified copy of your birth certificate is preferred. Please contact Human Resources for a list of other acceptable documents for proof of age)*
- A photo identification

- Your Beneficiary's Social Security number, address, and birth certificate (*Applicable only if you choose a survivor benefit payment option*)
- A voided check for direct deposit

2. **Attend a Pre-Retirement Workshop**

The Department of Human Resources hosts Pre-Retirement Workshops for all eligible employees periodically. Watch for announcements for the current workshop schedule.

WITHIN 3-6 MONTHS PRIOR TO RETIREMENT

1. **Request an Estimate of Your Benefit**

After you have finalized your retirement date, request an estimate of your benefit at least six months before your retirement date. This will allow you sufficient time to determine which benefit payment option is best for you.

2. **Make it Official— Submit the Application Form**

Your application may be submitted no more than ninety (90) days before your effective retirement date. The Human Resources staff can answer any questions, and will check to ensure that all of your paperwork is completed properly. Staff members are also prepared to answer general questions about ancillary programs, such as the medical and dental insurance programs, which are available to retirees.

The Department of Human Resources provides this handbook to outline your member benefits, and to guide you through the pertinent details necessary for planning your retirement. As a very comprehensive benefit structure, you'll note there is a lot of information to absorb. Therefore, additional assistance is provided in the final section, which highlights responses to members' *Frequently Asked Questions*.

You are encouraged to file this handbook with your other retirement and investment records for convenient reference. Be aware that the Plan is amended from time to time by the City Council. The Human Resources staff welcomes your questions and comments.

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## Frequently Asked Questions

1. Who pays for the retirement program?

The retirement program is funded by three sources: member contributions, employer contributions, and investment income. General Employees participating in Plan 3 contribute 5 percent of their pay. The exact share of City contributions to the Plan is determined by City Council as part of the budget process, upon the recommendation of the Retirement Commission and its actuary. Investment income, which comes from investing the Plan's assets, provides a major source of funding for the Plan.

2. I understand that I am participating in a Defined Benefit Plan. What does that mean?

A defined benefit retirement plan provides eligible members a specified monthly benefit at retirement. Under a defined benefit plan, a set formula is established and used to compute the retirement annuity. The amount of the benefit payments is not a function of investment returns. The Defined Benefit Plan is a retirement plan, qualified under Section 401(a) of the Internal Revenue Code.

3. Does Social Security affect my retirement benefits?

No, your benefit is completely independent of Social Security.

4. How is interest credited to my member contributions account?

If you should require a refund of your contribution, interest will be credited at rate specified by the Retirement Commission. The interest rate is set currently at 3 percent, unless the Retirement Commission adopts a different rate for a particular fiscal year.

5. When will I receive a statement of my account balance?

Each year, you will receive a benefit statement citing the balance in your member contribution account as of June 30 of that year.

6. Do I have to apply for retirement benefits, or will I receive my benefits automatically?

Benefits are not paid automatically; you must submit a retirement application and supporting documents to initiate your benefit payments. If you delay your application, you may lose a portion of your benefits.

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## Frequently Asked Questions

### 7. When should I apply for retirement?

Your retirement application may be submitted no more than ninety (90) days prior to your retirement date. It is recommended that you request an estimate of your monthly benefit at least six months prior to your retirement date. This will allow sufficient time to prepare your individual benefit estimate. You will also want to allow yourself plenty of time to review your options carefully before you lock in your benefit payment option. Remember, once you are retired, your benefit options cannot be changed.

### 8. What documentation will I need to submit with my retirement application?

Upon applying for retirement, you will need to provide the following documents:

- **Documented proof of age** (*A certified copy of your birth certificate is preferred. Please contact Human Resources for a list of other acceptable documents for proof of age*)
- **A photo identification**
- **Your beneficiary's Social Security number, address, and birth certificate,** (*Applicable only if you choose a survivor benefit payment option*)
- **A voided check for direct deposit**

### 9. Can I continue my life, health and dental insurance coverage when I retire?

Life insurance coverage is provided to retirees at no cost to you. At this writing, you may continue to opt for the health and/or dental insurance coverage plans the City offers if you meet the eligibility requirements for coverage as a retiree. Please note that for participants who are hired after June 30, 2012, the City no longer offered health insurance coverage to Medicare-eligible individuals (retirees, spouses and/or dependents). Post-employment benefits are subject to change at any time. Please refer to the Appendix for more information about these plans.

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## Frequently Asked Questions

10. What happens to my Plan contributions if I die before taking retirement?

If you should die while an Eligible Employee of the City, but prior to attaining five years of Vesting Service, your Accumulated Contributions will be refunded in full to your Beneficiary or to your estate.

If you should die while an Eligible Employee of the City, and you are fully vested, your Accumulated Contributions will be retained in the Plan. If you are eligible for retirement, your spouse will receive a monthly survivor benefit. If you are not eligible for retirement, your spouse will receive a monthly survivor benefit at the earliest date as of which you could have retired.

Refer to Chapter Six in this handbook for more specific details.

For all of these reasons, it is important that you keep your beneficiary designations up to date with Human Resources, and that you keep your potential beneficiaries informed of your various benefits.

11. If I have designated my spouse as my beneficiary and we are later divorced, is that beneficiary designation cancelled automatically?

No. Your beneficiary designation is not automatically cancelled by any changes such as a divorce or marriage, and it will not change automatically *even if a divorce decree says that it does*. You must make any such changes yourself by completing and submitting a new beneficiary designation form to Human Resources.

12. Is there a limit to the benefit amount I can receive from the Plan?

Section 415(b) of the Internal Revenue Code requires certain limits in the amount of benefits provided to Plan members in all qualified employer retirement plans. Additional information about these limits may be obtained by contacting Human Resources.

13. Are retirement benefits taxable?

Yes, all or part of your benefit is subject to state and federal income taxation from the first month of retirement. See Chapter 9 in this handbook for information about taxes and your retirement benefits.

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## Frequently Asked Questions

### 14. What deductions are withheld from my monthly retirement benefits?

Currently, the standard deductions withheld from your benefit payments include:

- Federal income taxes
- State income taxes
- Health Insurance (optional if you meet the eligibility requirements)
- Dental Insurance (optional if you meet the eligibility requirements)

If you opt to continue the available health and/or dental insurance coverage in retirement, your monthly premium(s) will be deducted automatically from your benefit payments, assuming your monthly benefit is large enough to cover the withholding.

See Chapter 9 in this handbook for additional information regarding taxes and your retirement benefits.

### 15. Will I receive cost-of-living (COLA) adjustments with my benefit?

City Council, from time to time and at their discretion, may approve a cost-of-living adjustment (COLA) to be applied to your benefit. Any such COLA granted will be effective on July 1 of the year granted for retirees, disabled members and surviving spouses. Persons retiring on or after July 1, 2017 must have 15 or more years of creditable service in order to receive the COLA. No COLA will be effective prior to the first anniversary of your benefit commencement date.

### 16. What are my benefit payment options?

There are six different benefit payment options to accommodate your personal needs in retirement.

Under the Basic Benefit payment option, you will receive monthly retirement benefits for life, but upon your death, no ongoing pension benefits are provided to your survivors or your estate.

There are four Joint and Survivor benefit payment options, which provide a reduced benefit during your lifetime in order to provide an ongoing benefit to your spouse or certain other beneficiaries after you die. These options can continue 50%, 66 2/3%, 75% or 100% of the amount you receive to your Beneficiary upon your death.

There is a Social Security Leveling option which pays a larger benefit prior to your Social Security retirement age and a smaller benefit after your Social Security retirement age to provide a more level retirement income when combined with your primary Social Security benefit.

See Chapter 5 in this handbook for more information about your benefit payment options.

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## Frequently Asked Questions

17. What happens to my retirement benefits when I die after taking retirement?

In retirement, your monthly benefit payments will cease when you die, unless you have elected one of the optional forms of payment that provides a benefit to your surviving spouse or to an eligible beneficiary. (See the response to Question #16)

If you die before receiving benefit payments equal to the sum of your Accumulated Contributions, your surviving Beneficiary or your estate may apply for a refund of the balance of your residual Accumulated Contributions. Residual Accumulated Contributions is the difference between your Accumulated Contributions balance at the time of retirement and the sum of the pension benefits paid on your account.

# 12 Glossary

**Accumulated Contributions**

A member's contributions to the Plan, plus the applicable interest paid on all such amounts.

**Average Final Compensation (AFC)**

Benefits are calculated according to the highest average annual salary paid to you as an eligible employee over 5 consecutive years of creditable service.

**Beneficiary**

Any other person as designated by you, upon completion of the appropriate beneficiary designation form.

*(See Chapter 5 in this handbook for the rules and regulations regarding survivor benefit payment options)*

**Cost-of-Living Adjustment (COLA)**

City Council, from time to time and at their discretion, may approve a cost-of-living adjustment (COLA) to be applied to your benefit. Any such COLA granted will be effective on July 1 of the year granted for retirees, disabled members and surviving spouses. Persons retiring on or after July 1, 2017 must have 15 or more years of creditable service in order to receive the COLA. No COLA will be effective prior to the first anniversary of your benefit commencement date.

**Creditable Service**

Includes all periods of eligible City employment for which you have not received a refund of Accumulated Contributions, and Military Service Credit to the extent required under federal law.

**Defined Benefit**

With defined benefit plans, a set formula is established and used to compute your retirement benefit, based upon your compensation level and length of service. The Defined Benefit Plan is a retirement plan that qualified under Section 401(a) of the Internal Revenue Code.

**Eligible Employment**

Periods of paid employment and approved leave with pay in specific City positions covered under the Plan. Temporary, part-time, seasonal, contractual or provisional periods of employment are not periods of Eligible Employment. In addition, persons who work less than full time but at least half time, work less than year round but at least 36 weeks per year, and are in service on or after July 1, 1987 are also eligible for membership in the Plan.

**Interest Credit**

Interest is credited each fiscal year at the rate of 3 percent on all amounts that have been on deposit with the Plan for the full fiscal year, unless the Retirement Commission adopts a different rate for a particular year.

**Vesting Service**

The period of time in your City career in which you are earning the right to receive a retirement benefit from the Plan. You are considered "fully vested" after you have completed five years of Vesting Service, working in an eligible City position. Vesting service also includes periods of Military Service Credit to the extent required under federal law. As long as you are a fully vested member, you can earn the right to receive a retirement benefit, even if you leave City employment before you are eligible to retire.

# Appendix

## Post-Retirement Life and Health Insurance Benefits

### Death Benefit

Upon retirement, employees of this plan who retire with at least ten (10) years of creditable service are eligible for life insurance in the amount of his or her basic life insurance provided by the city at his or her date of retirement. Effective the first of each month thereafter, the benefit amount of life insurance shall be reduced by 3% until it reaches one-quarter (1/4) of the amount at the time of retirement. For beneficiary updates or changes, contact the HR Department.

### Post-retirement Health Insurance Benefits

Upon retirement, employees of this plan who retire with at least ten (10) years of creditable service are eligible for medical and dental benefits with a pro-rated City contribution toward the cost. The city contribution is determined on an annual basis and is subject to change. For employees who retire with ten years of service and elect to continue in the City's health care plan after retirement, the city will pay 40% of the annual contribution amount. For employees who retire with more than ten years of service, the city will pay an additional 4% of the annual contribution amount for each additional full year of service completed as of the effective date of retirement. Participation in the city's health care plan ends at Medicare eligibility.

In order for family members to be eligible for medical and/or dental insurance upon employee's retirement, it is required they be covered under the plan for thirty six (36) consecutive months prior to employee's retirement.

The city reserves the right to amend the plan(s) from time to time as it deems appropriate, changing coverages, deductibles, payment schedules, eligibility waiting periods and other incidents of the plan, which changes may increase or decrease the value of the benefit to individual employees.