

City of Alexandria, Virginia

# **Retirement Workshop For Employees Covered by the Virginia Retirement System (VRS)**

Finance Department Pension Administration Division &  
Human Resources Benefits Division

February 16, 2021 10:00 a.m. – 1:00 p.m.

Virtual Workshop



# Agenda



## **Part 1: Insurance and Leave Benefits**

Human Resources Department - Benefits Division

## **Part 2: Retirement Benefits**

Finance Department - Pension Administration Division

**There will be a 10-minute break during the workshop.**

# Finance Department Pension Administration Division Staff



301 King Street – City Hall  
Internal Mail: City Mailbox 42  
Fax: 703.746.3943

**Appointments Only Due To COVID-19**  
[retirement@alexandriava.gov](mailto:retirement@alexandriava.gov).



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Retirement Specialist  
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# Human Resources Department Benefits Division Staff



301 King Street, City Hall Room 2500

[DHR.Benefits@alexandriava.gov](mailto:DHR.Benefits@alexandriava.gov)



**Shari Davidson**  
Human Resources Manager  
703.746.3786



**Jina Edwards**  
Sr. Human Resources  
Analyst  
703.746.3789

# Part 1: Insurance and Leave Benefits



City of Alexandria, Virginia

# CITY OF ALEXANDRIA RETIREE BENEFITS

Retirement Workshop  
February 2021

Note: The City of Alexandria reserves the right to modify or terminate extended health or life insurance coverage



# Agenda



- Medical Plans
  - Eligibility
  - Plan choices
  - Cost
- Dental and Vision
- Life Insurance
- Leave Accruals
- Frequently Asked Questions

# Health Insurance Benefits Overview



- **Eligibility:**
  - Retire under a Primary City sponsored retirement plan (VRS, Police and Fire)
  - MUST be enrolled in a City Medical Plan at the time of retirement
  - 5 years of vested service
- Can cover spouse and dependent children (to age 26) or make changes due to a life event (marriage, divorce, death, move out of area, etc. within 30 days)
- Available to covered surviving spouses and children (to age 26)
- **Components:** Kaiser, United Healthcare and Reimbursement Program
- **Retiree Health Supplement:** maximum City contribution is \$260.00 per month (depending on years of service)

Note: you may not re-enroll if you drop City sponsored health coverage

# Medical Plans



- **Under 65:**

- Continue with “active employee” as a retiree medical plan or change among the options at time of retirement or at open enrollment each May for coverage effective July 1
- Plan year is July-June - same as active

# FY 2021 Under 65 Retiree Medical Plans



|                      | <b>United<br/>CDHP</b>   | <b>United<br/>Choice</b> | <b>United<br/>Choice+</b>                            | <b>Kaiser<br/>CDHP</b>  | <b>STND<br/>Kaiser<br/>DHMO</b>           | <b>Kaiser<br/>HMO</b> |
|----------------------|--------------------------|--------------------------|------------------------------------------------------|-------------------------|-------------------------------------------|-----------------------|
| Deductible           | \$1,500 S /<br>\$3,000 F | \$400 S /<br>\$800 F     | In \$400 S<br>/\$800 F<br>Out \$800 S /<br>\$1,600 F | \$1,400 S<br>/\$2,800 F | \$400 S /<br>\$800 F<br>waived@<br>Kaiser | None                  |
| Copays               |                          | ✓                        | ✓                                                    |                         | ✓                                         | ✓                     |
| 100% Preventive Care | ✓                        | ✓                        | ✓                                                    | ✓                       | ✓                                         | ✓                     |
| Extensive network    | ✓                        | ✓                        | ✓                                                    |                         |                                           |                       |
| Out-of-network       | ✓                        |                          | ✓                                                    |                         |                                           |                       |
| \$ Point of Service  | Depends                  | \$\$\$                   | \$\$\$\$                                             | Depends                 | \$\$                                      | \$                    |

# FY21 Monthly Rates



## Medical Plans Monthly Costs

| 4-Tier                            | FY21       |                           |               | 4-Tier                     | FY21       |                           |               |
|-----------------------------------|------------|---------------------------|---------------|----------------------------|------------|---------------------------|---------------|
|                                   | Retiree *  | City Subsidy <sup>†</sup> | Total Premium |                            | Retiree *  | City Subsidy <sup>†</sup> | Total Premium |
| Kaiser CDHP - Retirees NEW        |            |                           |               | UHC CDHP - Retirees NEW    |            |                           |               |
| Retiree                           | \$283.75   | \$260.00                  | \$543.75      | Retiree                    | \$410.06   | \$260.00                  | \$670.06      |
| Retiree+Spouse                    | \$794.87   | \$260.00                  | \$1,054.87    | Retiree+Spouse             | \$1,102.11 | \$260.00                  | \$1,362.11    |
| Retiree+Ch(ren)                   | \$664.37   | \$260.00                  | \$924.37      | Retiree+Ch(ren)            | \$879.11   | \$260.00                  | \$1,139.11    |
| Retiree+Family                    | \$1,371.25 | \$260.00                  | \$1,631.25    | Retiree+Family             | \$1,553.22 | \$260.00                  | \$1,813.22    |
| Kaiser Permanente DHMO - Retirees |            |                           |               | UHC Choice - Retirees      |            |                           |               |
| Retiree                           | \$398.76   | \$260.00                  | \$658.76      | Retiree                    | \$488.70   | \$260.00                  | \$748.70      |
| Retiree+Spouse                    | \$1,017.99 | \$260.00                  | \$1,277.99    | Retiree+Spouse             | \$1,219.09 | \$260.00                  | \$1,479.09    |
| Retiree+Ch(ren)                   | \$859.89   | \$260.00                  | \$1,119.89    | Retiree+Ch(ren)            | \$1,012.79 | \$260.00                  | \$1,272.79    |
| Retiree+Family                    | \$1,716.27 | \$260.00                  | \$1,976.27    | Retiree+Family             | \$1,988.66 | \$260.00                  | \$2,248.66    |
| Kaiser Permanente HMO - Retirees  |            |                           |               | UHC Choice Plus - Retirees |            |                           |               |
| Retiree                           | \$486.86   | \$260.00                  | \$746.86      | Retiree                    | \$634.25   | \$260.00                  | \$894.25      |
| Retiree+Spouse                    | \$1,188.92 | \$260.00                  | \$1,448.92    | Retiree+Spouse             | \$1,505.13 | \$260.00                  | \$1,765.13    |
| Retiree+Ch(ren)                   | \$1,009.67 | \$260.00                  | \$1,269.67    | Retiree+Ch(ren)            | \$1,260.22 | \$260.00                  | \$1,520.22    |
| Retiree+Family                    | \$1,980.59 | \$260.00                  | \$2,240.59    | Retiree+Family             | \$2,422.75 | \$260.00                  | \$2,682.75    |

# Medical Plans



- **Over 65:**

- Choose between UnitedHealthcare Medicare Advantage Plan, Kaiser Medicare Plan or Reimbursement Plan or change at open enrollment each November for coverage effective January of the following year
- MUST enroll in Medicare Parts A&B (copy of Medicare ID Card is required)
  - Contact HR (Jina Edwards - [jina.edwards@alexandriava.gov](mailto:jina.edwards@alexandriava.gov) or 703.746.3789) 90 days before you turn 65 to get the process going
- Plan year is January-December due to Medicare

# CY 2020 Over 65 Retiree Medical Plans



|                                   | UnitedHealthcare Medicare Advantage PPO Plan                                                               | Kaiser Medicare Advantage Plan                                                 |
|-----------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Deductible                        | None                                                                                                       | None                                                                           |
| Copays                            |                                                                                                            |                                                                                |
| Primary Care/Specialist           | \$15                                                                                                       | \$15                                                                           |
| Hospital                          | \$100                                                                                                      | \$100                                                                          |
| Outpatient surgery, labs, x-rays  | \$0                                                                                                        | \$0                                                                            |
| 100% Preventive Care              | √                                                                                                          | √                                                                              |
| Extensive network of providers    | √ national                                                                                                 | local                                                                          |
| Can go out-of-network             | √                                                                                                          |                                                                                |
| Additional Benefits               | Hearing aids, health education, fitness program, virtual doctor visits, house calls, meals after discharge | Hearing aids, dental, health education, fitness program, virtual doctor visits |
| Monthly Rates per Individual 2020 | \$396.93                                                                                                   | \$245.60                                                                       |

# Retiree Health Supplement



- Hired prior to July 1, 2008 – up to \$260 per month
- Hired after July 1, 2008
  - At least 25 years of service – up to \$260 per month
  - Less than 25 years of service – pro-rated by years of service (\$10.40 per year of service)
- Enrolled in Medical Plan - City pays supplement directly to United or Kaiser (for the older individual in a couple, younger individual is billed by the carrier)
  - Your cost is debited from your bank account on 15<sup>th</sup> of each month
- Enrolled in Reimbursement Plan - submit documentation on premium costs each year
  - Supplement deposited in your bank account on 15<sup>th</sup> of each month

Hired after 7/1/2008

| Years of Service | Maximum Supplement per month |
|------------------|------------------------------|
| Less than 5      | None                         |
| 5                | \$52                         |
| 10               | \$104                        |
| 15               | \$156                        |
| 20               | \$208                        |
| 25               | \$260                        |

# Reimbursement Program



## Key Provisions

- **Eligibility:** (1) Retire from the City with appropriate retirement benefits  
(2) Be enrolled in a City sponsored health plan at date of retirement
- **Reimbursement Amount:** Actual cost of medical plan of your choice up to a maximum of \$260 monthly
- **Process:** (1) Complete Reimbursement Statement  
(2) Furnish proof of health insurance payments annually
- **Payment:** Received 15<sup>th</sup> of each month through ACH

# Retiree Dental and Vision Benefits



- Group Dental and Group Vision may be continued until age 65 and then for up to 18 months under COBRA at the active rate
  - Cost for COBRA is the employee group rate plus 2%

## Monthly Rates for 7/1/20-6/30/21

### Monthly Dental Premium

| Coverage Level       | DMO     | PPO     |
|----------------------|---------|---------|
| Individual           | \$15.46 | \$36.15 |
| Retiree + Spouse     | \$26.61 | \$74.79 |
| Retiree + Child(ren) | \$22.42 | \$63.00 |
| Family               | \$35.01 | \$98.38 |



### Monthly Vision Premium

| Coverage Level       | PPO     |
|----------------------|---------|
| Individual           | \$9.50  |
| Retiree + Spouse     | \$22.70 |
| Retiree + Child(ren) | \$16.08 |
| Family               | \$26.48 |



# Over 65 Retiree Dental and Vision



## Aetna® Vital Savings discount program

Discounts on cleanings, crowns,  
whitening and more

## It's not insurance — you get on-the-spot savings

### Find participating dentists

You'll have access to the Aetna Dental Access® network. It's one of the largest dental discount networks in the nation.

Use online directory at **aetna.com** to find dentists in the network. Or call **1-888-238-4825**.

\$2.70/month Single, \$4.35/month 2 or more  
paid through the City

## Extra savings for nothing extra

**Fitness.** Save on gym memberships\* and name-brand home fitness and nutrition products

**Vision.** Get eye exams, eyeglasses, contacts, LASIK laser eye surgery and more — for less

### Also, enjoy discounts on:

- Weight-loss programs
- Hearing products and services
- Over-the-counter vitamins
- Acupuncture and chiropractic
- Online doctor consultations

These are just some of the extras included. Find more at **aetnavitalgroupsavings.com**.

# Retiree Life Insurance Benefits



## Available only to those who were hired before July 1, 2009

- Basic Life (two times salary) is paid by the City
- Supplemental Life (if elected, one or two times salary) is paid by the retiree
- Dependent Care (if elected, 3 levels) is paid by the retiree
- Full Basic and Supplemental Insurance amounts remain in effect until January 1 following the 65<sup>th</sup> birthday
  - Reduction Schedule: 25% on January 1 following 65<sup>th</sup> birthday, then 10% per year for 5 years. On January 1 following the 70<sup>th</sup> birthday, the minimum amount is reached – 25% of the pre age 65 amount.
- Accidental Death & Dismemberment (AD&D) and Dependent Life end at retirement

### Reduction Schedule

| Age | Percentage |
|-----|------------|
| 65  | 75%        |
| 66  | 65%        |
| 67  | 55%        |
| 68  | 45%        |
| 69  | 35%        |
| 70  | 25%        |

Hired after July 1, 2009 – can convert active coverage to individual policy within 31 days of retirement – up to same level without Evidence of Insurability (if held for 5 years prior to retirement)

# Retiree Life Insurance Benefits



## Tax Consequences of Employer Provided Group-Term Life Insurance

- Amounts over \$50,000 are considered to have value (computed using the IRS table)
- This value is added to your taxable income
- The Added Yearly Taxable Income Amount is computed as follows:  
$$(\text{Thousands of Coverage} - 50) \times (\text{IRS Table Value}) \times 12 - .286 \times \text{Supplemental Coverage} \times 12$$



# Retiree Leave Payouts

## Annual Leave

- Payment of all accrued annual leave up to the earnings cap  
Caps: For General Employees with 12+ years of service = 384  
For Firefighters who work 106 hours bi-weekly = 576

## Sick Leave

- Employees (except firefighters on unlimited sick leave) who have 20 years of service are eligible for payment of 25% of accrued sick leave

## Compensatory Time

- Payment of all compensatory time up to the amounts shown below

| Employee Type                           | Maximum Balance |
|-----------------------------------------|-----------------|
| General Schedule                        | 160             |
| Sworn Law Enforcement / Fire Protection | 240             |

# Frequently Asked Questions



- Where can I get information after I retire?
  - Go to [www.alexandriava.gov/HR#RetireesCorner](http://www.alexandriava.gov/HR#RetireesCorner) for most recent enrollment guide, forms and other information
- How do you enroll in Retiree Benefits?
  - Contact Benefits team two months in advance of planned retirement date to schedule a meeting:
    - Explain benefits options, costs and leave payouts
    - Provide forms/applications
    - Collect banking information for automated payments

## BENEFITS TEAM CONTACTS – DHR.Benefits@alexandriava.gov

|                |              |                                 |
|----------------|--------------|---------------------------------|
| Jina Edwards   | 703.746.3789 | jina.edwards@alexandriava.gov   |
| Shari Davidson | 703.746.3786 | shari.davidson@alexandriava.gov |

- When can you change?
  - At retirement
  - At open enrollment for new plan year
  - Family status change within 30 days (marriage, divorce, death, move out of area, spouse loses coverage, spouse turns 65)
- What can you change?
  - Plan choice – Kaiser, United Healthcare, or Reimbursement Program for plan of your choice
  - Plan participants – you, spouse/domestic partner, dependent child(ren) to age 26

# Frequently Asked Questions



## How do I navigate Medicare and Medicare Supplemental Plans?

- Over 65 Retiree Plans replace/coordinate with Medicare and are primary – you must sign up for Medicare Part A and B
  - Medicare Advantage Plans are complete replacements for Medicare
  - Medicare Cost Plans coordinate with Medicare Part A
- Pay Medicare Part B costs directly to Medicare
- Contact City HR for Medicare Plan Enrollment Kit three months before your 65<sup>th</sup> birthday
- Do not need to sign up for Medicare Part D to participate in City Plans (plans cover prescription drugs)
- If half of a couple is under 65 and the other is over 65, he/she may participate in a different plan just for that period of time (one in the Medicare-eligible plan and one in an active employee plan)
- If you are unsure about how to get Medicare coverage, contact Medicare at 1-800-MEDICARE or go to [www.medicare.gov](http://www.medicare.gov) three months before your 65<sup>th</sup> birthday
- If you prefer to enroll in a non-City supplemental plan, some places to begin shopping are:
  - [www.medicare.gov](http://www.medicare.gov)
  - [www.healthcare.gov](http://www.healthcare.gov)
  - [www.aarp.org](http://www.aarp.org)

## Part 2: Retirement Benefits



# This Workshop



This workshop is designed primarily for the following employees who are VRS Plan 1, Plan 2, or Hybrid Plan members:

Regular, full-time General Schedule Employees  
Deputy Sheriffs, Medics, and Fire Marshals

# Tools, Tips, and Websites



# Consult Advisors



You are making a decision that will affect you and possibly family members for the rest of your lives

- Include your spouse/significant other in planning
- Consult certified experts who can help you:
  - Financial/tax advisor regarding taxes, pension payment options, and how to best use retirement savings when/after retire
  - Lawyer regarding time when you can't make decisions (don't assume this won't happen to you!)
    - Will
    - Power of Attorney
    - Advanced medical directive

Pension employees are not certified to give legal, financial, or tax advice

# Many Plan, Many Rules



- City pension plan(s)
- City health, life insurance
- 457, Roth IRA, Traditional IRA
- Social Security
- Medicare
- Other plans

Be aware of the rules of each plan to make the best decision on when you must apply and start receiving benefits when you want.

Plan rules do not change to meet your agenda. Possible issues:

- If need service credit for last month to reach years of service or age, how late in month need to work
- If retiring at age 65 or older – coordinate with HR, Medicare
- If normal work shift would end on 1<sup>st</sup> of month

# Use Tools Available to You To Plan and Prepare to Retire



- ❑ Use VRS and Prudential (Supplemental) websites to estimate different retirement dates and different payment options

(NOTE: You do not commit to a payment option when using the website estimator)

- Read <https://www.varetire.org/pdf/publications/getting-ready-to-retire-guide.pdf>
- City 457/Roth IRA info on personalized webpage <https://www.icmarc.org>
- All websites have retirement and financial planning information
- ❑ Discuss information with your spouse or significant other



# Websites: Retirement Estimates and Financial Planning Information



| Plan                  | Website                                                                                                                                            |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| VRS                   | <a href="http://www.varetire.org">www.varetire.org</a><br>See also link for myVRS Financial Wellness                                               |
| Supplemental          | <a href="http://www.prudential.com/online/retirement">www.prudential.com/online/retirement</a><br>Look for links to financial planning information |
| City 457 and Roth IRA | <a href="http://www.icmarc.org/Alexandria.html">www.icmarc.org/Alexandria.html</a>                                                                 |
| Social Security       | <a href="http://www.socialsecurity.gov">www.socialsecurity.gov</a>                                                                                 |

† **If you are 65 or will be 65 this year**, you may not be able to create Supplemental estimates online. Click on verify address and Prudential will mail your Supplemental retirement estimates to you

† **Within 3 years of retirement** the annual statements may overestimate your retirement benefit – please use the website to estimate



The screenshot shows the Virginia Retirement System (VRS) website. At the top, the VRS logo is on the left, and the text "Helping Members Plan for Tomorrow, Today" is on the right. Below the logo is a navigation bar with "myVRS" and tabs for "Employers", "Members", "Retirees", and "Defined Contribution Plans". A large blue arrow points to the "myVRS" tab. On the left is a vertical menu with links: Home, About VRS, Calculator & Estimator, Forms, Financial Wellness, Publications, Investments, Legislation, Newsroom, Procurement, Careers, and Search. The main content area features a large banner image of a woman sitting on a park bench. Below the image is the text "Thinking About Retirement? When you're ready to retire, VRS will guide you through the process." Below the banner are three tabs: "Spotlight", "What's New", and "Top Forms". Under "Spotlight" is a section titled "Top Publications" with a description: "Watch and learn how these dedicated Prince George County government employees save today for tomorrow." In the bottom right corner, there is a "myVRS FINANCIAL WELLNESS" logo and a Facebook link that says "Find us on Facebook". A blue arrow points to the Facebook link. At the bottom left, the "Counseling Center" address is listed: "1111 East Main Street, Richmond, VA 23219".

**myVRS** Virginia Retirement System

Helping Members Plan for Tomorrow, Today

myVRS Employers Members Retirees Defined Contribution Plans

Home About VRS Calculator & Estimator Forms Financial Wellness Publications Investments Legislation Newsroom Procurement Careers Search

**Virginia Retirement System**

**Thinking About Retirement?**  
When you're ready to retire, VRS will guide you through the process.

**Spotlight What's New Top Forms**

**Top Publications**

Watch and learn how these dedicated Prince George County government employees save today for tomorrow.

**myVRS** FINANCIAL WELLNESS

Find us on Facebook

**Counseling Center**  
1111 East Main Street  
Richmond, VA 23219



[Home](#)
[My History](#)
[Manage My Benefits](#)
[Retirement Planning](#)
[Benefit Estimator](#)
[Financial Wellness](#)
[Help](#)

Your Name
Logout

[Print Page](#)

Last Login: 05/08/2019 4:55PM

Hello,

Your First Name

Ready to plan your future? Use the Retirement Income Planner.

### Membership at a Glance

Account information through 05/21/2019

Plan: VRS Plan 1

Membership Date: 6/5/xxxx

Current Service: 25 years 3 months

Birthdate: 11/01/xxxx

### Check out these links

Use the Benefit Estimator to create estimates for different dates

04/01/2007

Age

55
60
65

Estimate appears when you log in

You can retire at age 60, 6 months with an estimated benefit of \$2,836/month on 2/1/2020

### Looking Ahead

It's never too soon to think about retirement. Learn more about retirement planning.

### I Want To...

- Create a Benefit Estimate
- Learn About a Refund
- Learn About Purchasing Service
- View Annual Statements

Account Balance: \$5,053,101.00

My Other Benefits

Powered by Enrich

# Sample VRS Survivor Estimate



Your Estimate ⓘ

Survivor Option (50%)

Your monthly benefit with the Survivor Option: \$2,884.02

Your survivor's monthly benefit upon your death: \$1,442.01

Our Estimate ⓘ

Compare your estimate with the maximum monthly benefit you could receive from VRS if you took the

Basic Benefit \$3,251.43

Selections Used in Your Estimate ⓘ

Estimate Type: Service

Retirement Date: 07/01/2019

Retirement Age: 58 yrs 11 mos

Average Final Compensation Information

Average Final Compensation (AFC): \$76,504.17

Months Used in AFC: Jun 2014 to May 2017

[AFC Details](#)

Survivor Information

Survivor's Date of Birth: 12/31/1962

Survivor Relationship: Spouse

Service Information

Current Service: 28 yrs 10 mos

Additional Projected Service: 1 yrs 2 mos

Estimated Total Service at Retirement: 30 yrs 0 mos

[Less Details](#)

Previous

Save Estimate for Member

Save Estimate

Create New Estimate

**Note:** If you wish to save the estimate for future reference by you and other employers, select "Save Estimate". If you wish to save the estimate so the member can view it, click

# Sample Prudential Supplemental Estimates



## Request Pension Estimate

### Estimated Monthly Pension Plan Benefits

| Benefit Commencement Date | Age | Payment Option                                      | Participant Benefit (\$) | Spouse Benefit (\$) |
|---------------------------|-----|-----------------------------------------------------|--------------------------|---------------------|
| 07/01/2019                | 58  | If you keep your Employee Contributions in the Plan |                          |                     |
|                           |     | Life Annuity                                        | 1,553                    |                     |
|                           |     | Modified Cash Refund Annuity                        | 1,546                    |                     |
|                           |     | 5 Years Certain & Life Annuity                      | 1,533                    |                     |
|                           |     | 10 Years Certain & Life Annuity                     | 1,479                    |                     |
|                           |     | 15 Years Certain & Life Annuity                     | 1,409                    |                     |
|                           |     | 50% Joint and Survivor Annuity                      | 1,423                    | 711                 |
|                           |     | 66.7% Joint and Survivor Annuity                    | 1,384                    | 923                 |
|                           |     | 100% Joint and Survivor Annuity                     | 1,312                    | 1,312               |
|                           |     | Lump Sum Payment                                    | 252,149                  |                     |

**Lump sum estimate amount subject to change**



# Personal Website For City Of Alexandria Employees

<https://www.icmarc.org/alexandriava.html>



Save more this  
year!

[View the contribution limits.](#)



## Account Access

User ID:

Enter User ID

Login

- [Set Up Your Online Access](#)
- [Forgot Your User ID or Password?](#)

## Welcome

**GOOD NEWS: The plan administration fee is being reduced for the 457 plan!** [Learn more.](#)

Are you on track for retirement? The City of Alexandria and ICMA-RC invite you to learn more and manage your City 457 and Roth IRA plans online.

Get started by taking an important first step for your retirement — sign up to save.

**457 Plan Number: 300832**

[Enroll in Your 457 Plan](#)

**Roth IRA Plan Number: 705691**

[Enroll in Your Roth IRA Plan](#)

The VRS Hybrid 457 Plan is a different plan from the City 457 Plan. [Click here](#) for more information about the VRS Hybrid Plans.

## Your Local Representative

Contact your Retirement Plans Specialist if you need assistance with:

- Enrolling in your plan
- Rollovers into your ICMA-RC account
- Investment strategy and how much to save
- Distribution options
- Pre-retirement checkup



**Kathy Findeisen**  
Retirement Plan Specialist  
[kfindeisen@icmarc.org](mailto:kfindeisen@icmarc.org)  
(866) 328-4666  
[Schedule a meeting](#)



**Antoinette Guy-Wharton**  
Retirement Plans Specialist  
[AGuy-Wharton@icmarc.org](mailto:AGuy-Wharton@icmarc.org)  
(800) 283-1762  
[Meet by phone or virtually](#)

## ICMA-RC CFP®

For an in-depth view of your financial wellness, consultations with a CERTIFIED FINANCIAL PLANNER® Professional are

## Retirement Savings Tips

### [Give Yourself a Financial Checkup in the New Year](#)

Use these five simple steps to make sure your finances are headed in the right direction.

### [Smart Investment Moves for 2021](#)

Start the year off right with these savvy financial tips.

### [Get Familiar with Easy-to-Use Online Tools for Managing Your Account](#)

Start your year prepared to put these helpful online tools to use.

### [Finding the Right Medigap Policy](#)

A Medicare Supplement Insurance policy fills the holes in Medicare coverage, but finding the right one takes homework.

[Read more articles](#)

# ICMA-RC Retirement Education Center



Tools

**Retirement Education Center**  
Helping public sector employees Engage, Build, and Realize Retirement®

**Account Log In**

## I want to:

- Save for the future >
- Manage my spending >
- Invest what I save >
- Get ready to retire >
- Manage my money in retirement >**
- View the full education library >

See how **small changes** to your spending can help you **save big** >

Manage My Money Filter by Type Reset Help

### 10 Question Retiree Guide

Get answers to 10 key questions about transitioning into and through retirement.

### Am I On Track?

Watch how to get retirement planning advice.

### Retirement Income Planner

See how to take distributions from your savings.

### RMD

See your current RMD and estimate future ones.

### Retiree Health Cost Estimator

See how to be prepared for a significant expense.

### Retirement Health Savings Asset Allocation...

As you near or enter retirement, see how you can invest your RHS account.

### Bridge Your Income Gap

Watch for strategies you can use to turn your savings into income.

### Enjoying Retirement

Watch how public sector workers retired with confidence.



# PENSION SECTION 1

- Retirement Plans Information
- Retirement Eligibility
- Benefit Calculation Formula
- Payment Options
- Retirement Estimates

# There are many types of Retirement Plans...



- Defined Benefit Plan
- Defined Contribution Plan
- Social Security
- 457 Deferred Compensation Plan
- Roth IRA

# What's the Difference?



## Defined Benefit Plan

- Pays you a lifetime, monthly pension payment
- Plan sponsor/City/Retirement Board make investment decisions
- No individual employee accounts
- Employee and City contribute to plan
- Uses a **formula** to calculate monthly pension benefit

Plan factor x Average compensation x Years of service ÷ 12 = monthly pension

## Defined Contribution Plan

- Provides you with a retirement savings account when retire or leave City/VRS
- You have an individual account and choose how to invest your money
- Employee and City contribute to the account
- **Account balance** = your contributions + City contributions ± investment earnings

# Retirement Plans



- Virginia Retirement System (VRS)
- City of Alexandria Supplemental Retirement Plan (Supplemental) *[Prudential is record keeper/administrator]*
- Social Security

*[ICMA-RC is administrator for these voluntary savings plans]*

- City 457 Deferred Compensation Plan (457 Plan )
- Payroll Deduct Roth IRA (Roth)

# VRS Member Type Determines Benefits



| VRS Plan                                                                                                 | Covers                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VRS Plan 1 Member                                                                                        | Employees covered by VRS before 7/2010 who were <u>vested by 12/31/2012</u>                                                                                                                                                                                                                                                                                                                                                                            |
| VRS Plan 2 Member                                                                                        | Employees covered by VRS after 06/30/2010<br><br>Plan 1 members not vested on 12/31/2012 became Plan 2 members on 1/1/2013                                                                                                                                                                                                                                                                                                                             |
| VRS Enhanced Hazardous Duty Benefits for Deputy Sheriffs                                                 | Full-time Deputy Sheriffs in VRS Plan 1 and Plan 2 who accrue at least one month of service after January 1, 2020, are covered under the VRS Enhanced Hazardous Duty Benefits.<br><br>Note: This benefit does not include the additional VRS hazardous duty supplement described in subsection B of §51.1-206 of the Code of Virginia. City Deputy Sheriffs instead receive an additional lifetime pension from the City Supplemental Retirement Plan. |
| VRS Hybrid Plan Member                                                                                   | Employees covered by VRS on or after 1/1/2014                                                                                                                                                                                                                                                                                                                                                                                                          |
| To verify VRS Plan, log onto <a href="http://www.varetire.org">www.varetire.org</a> or call 888.827.3847 |                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

# Employee Type Determines Supplemental Plan Benefits



## Employee Groups

General Schedule Employees

Deputy Sheriffs, Medics, and Fire Marshals

State employees at VDH, Court Services

Part-time Employees schedule to work 50% time or more



# Retirement Eligibility



# Retirement Eligibility VRS



| Type of VRS Retirement            | VRS Plan 1                                                          | VRS Plan 2 & Hybrid                      | VRS Plan 1 & 2 EHD for Deputy Sheriffs |
|-----------------------------------|---------------------------------------------------------------------|------------------------------------------|----------------------------------------|
| Normal Retirement Age (NRA)       | At least age 65 with 5 YOS                                          | Social Security NRA (66 - 67) With 5 YOS | 60 with 5 YOS                          |
| Unreduced retirement prior to NRA | At least age 50 with 30 YOS                                         | Rule of 90<br>Age + service = 90         | At least age 50 With 25 YOS            |
| Early, <u>reduced</u>             | At least age 55 with 5 YOS<br><br>or<br>At least age 50 with 10 YOS | At least age 60 with 5 YOS               | At least age 50 with 5 YOS             |

Medics, and Fire Marshals in Plan 2 use Plan 1 rules for eligibility YOS = years of service

EHD - Enhanced Hazardous Duty Benefits for Deputy Sheriffs

**There is no such thing as a "rule of 80"**

# Retirement Eligibility Supplemental

## General Schedule Employees



| Type of Retirement                                                            | Required Age and Service                                                                |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Normal Retirement Date (NRD)<br>(Unreduced retirement date)                   | Earlier of:<br><br>At least 65 and at least 5 YOS or<br>At least 50 and at least 30 YOS |
| Early, <u>reduced</u>                                                         | At least 55 and at least 5 YOS                                                          |
| YOS = years of service<br><br><b>There is no such thing as a "rule of 80"</b> |                                                                                         |

# Retirement Eligibility Supplemental

## Deputy Sheriffs, Medics, and Fire Marshals



| <u>Type of Retirement</u>                                                     | <u>Required Age and Service</u>                                                                                                                |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal Retirement Date (NRD)<br>(Unreduced retirement date)                   | The earlier of:<br><br>At least 65 and at least 5<br>YOS or<br>At least age 50 and at least 25 YOS as<br>a Deputy Sheriff, Medic/ Fire Marshal |
| Early, reduced                                                                | At least age 55 and At least 5 YOS                                                                                                             |
| YOS = years of service<br><br><b>There is no such thing as a “rule of 80”</b> |                                                                                                                                                |

# Pension Terminology

## Average Compensation



City pension plans use base compensation – **excludes overtime, shift differential, bonuses, and other special pay** – to calculate pension payment amounts (benefits)

| VRS Plan          | Average Final Compensation (AFC)                                                   |
|-------------------|------------------------------------------------------------------------------------|
| Plan 1            | 36 <u>consecutive</u> months creating the highest Average Final Compensation (AFC) |
| Plan 2 and Hybrid | 60 <u>consecutive</u> months creating the highest Average Final Compensation (AFC) |

### Supplemental Average Earnings (AE)

36 consecutive months creating the highest Average Earnings (AE)

# Pension Terminology Years of Service (YOS)



## **Years of Service (YOS)**

Employees accrue one year of service for each full year that contributions are paid into the plan from membership date.

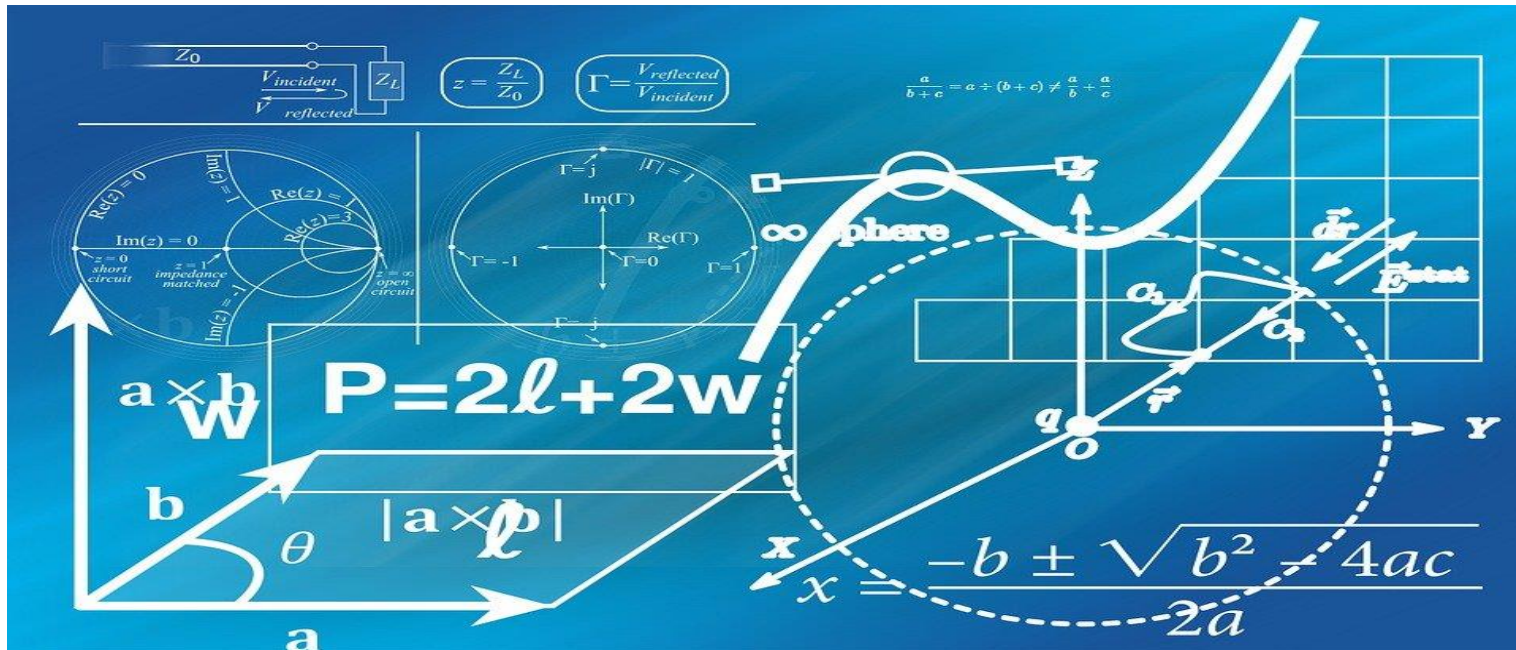
## **Years of Credited Service (YCOS)**

The total amount of accrued service using whole years and whole months of service.

**Greater the YOS or YOCs, greater your benefit**



# Calculation of Retirement Benefits



# VRS Benefit Formula

## Unreduced Retirement



| VRS Plan                                          | Formula                                                                                                                             |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Plan 1                                            | $1.7\% \times \text{AFC} \times \text{YOS}$                                                                                         |
| Plan 2                                            | $1.65 \times \text{AFC} \times \text{YOS}$ accrued after 2012, plus $1.7\% \times \text{AFC} \times \text{YOS}$ accrued before 2013 |
| Plan 1 and Plan 2 Enhanced Hazardous Duty Benefit | $1.7\% \times \text{AFC} \times \text{YOS}$                                                                                         |
| Hybrid                                            | $1.0\% \times \text{AFC} \times \text{YOS}$ Plus Money in defined contribution (DC) funds                                           |
| AFC = Average Final Compensation                  |                                                                                                                                     |

# Supplemental Benefit Formula

## Unreduced Retirement



| Employee Type                               | Formula                                                                                          |
|---------------------------------------------|--------------------------------------------------------------------------------------------------|
| General Schedule                            | 0.8% x AE x YOS for years after 1987 Plus<br>Benefit Calculated for years prior to 1988          |
| Deputy Sheriffs, Medics, and Fire Marshals  | The sum of:<br><br>0.6% x AE x YOS 1-5<br>0.9% x AE x YOS 6-15<br>1.0% x AE x YOS 16 and greater |
| AE = 36 Consecutive Months Average Earnings |                                                                                                  |

# Payment Options



# Payment Options - VRS



- Basic
  - life annuity (monthly) payment stops at your death
- Survivor/contingent annuitant (10 – 100%)
  - Monthly annuity for your lifetime and after you die  
lifetime monthly annuity for your spouse/contingent annuitant
- Partial Lump Sum Payment Option (PLOP)
  - Receive one time lump sum payment and reduced monthly payments
  - Must work 1-2-3 years beyond date eligible for unreduced retirement benefit
  - Can elect survivor/contingent annuitant option



# Payment Options – VRS (contd.)



- Advance Pension Option
  - Increases your monthly benefit temporarily
  - Monthly benefit reduced at age you choose between 62 and Social Security Full Retirement Age
  - Some limitations
  - Basic life annuity – Basic benefit only; cannot elect survivor payment options
  - See Advance Pension Options section of *Getting Ready to Retire* and VRS website

To estimate payment amounts, log onto [www.varetire.org](http://www.varetire.org), click on myVRS, and click on Benefit Estimator tab

# Advance Pension Option - Goal



Provides you with level income between

- when you retire under VRS and
- when you start receiving Social Security

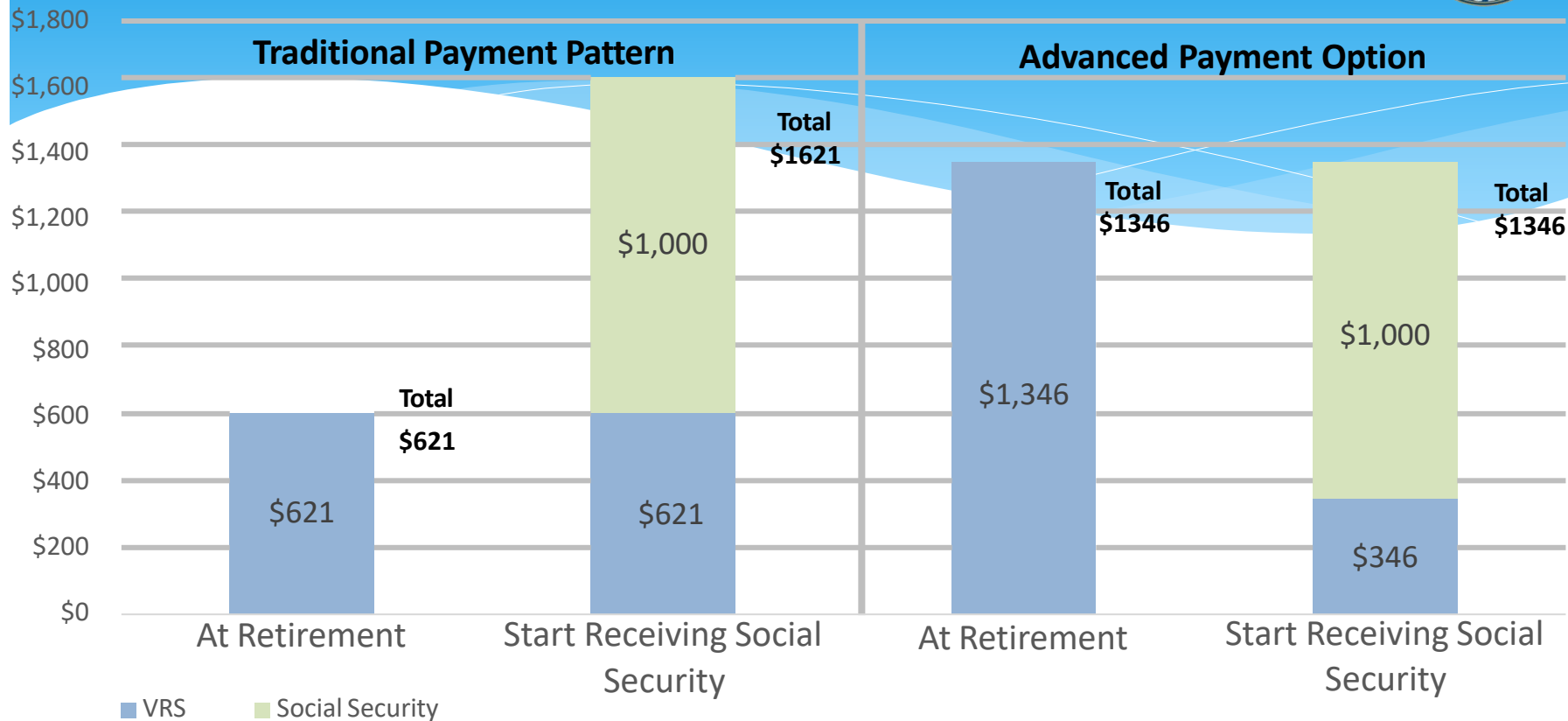
1. Temporarily increase VRS monthly payment until date you tell VRS you will start Social Security,

2. VRS monthly payments will reduce beginning on date you tell VRS you will start Social Security

Go to [www.varetire.org](http://www.varetire.org) to create estimate for Advance Pension Option. You need to provide information from Social Security.

Illustration on following slide.

# Advance Pension Option – Illustration Traditional vs APO



- Employee tells VRS of "assumed Social Security retirement age"
- Relative amount of change will vary based on retirement date and "assumed Social Security retirement age"
- Can begin Social Security at a age other than date tell VRS
- Use VRS Benefit Estimator for Advance Pension Option estimate -- for Soc Sec payment estimate amount indicate no future earnings after retire -- see VRS website for more information or call VRS at 888.827.3847 for assistance

# Payment Options Supplemental Plan



- Single life annuity
- Modified cash refund
- Certain (5, 10, or 15 years) and Life Annuity
- Survivor Option 50%, 66.7%, and 100%
- One time lump sum payment option\*
  - You accept responsibility for managing your finances on your own or to use a financial advisor

*\*Calculation of this payment option subject to change*



# Monthly Payment vs Lump Sum/PLOP



- With Supplemental lump-sum or VRS PLOP you accept responsibility to manage the lump sum
- VRS PLOP results in reduced VRS monthly benefit
- Supplemental lump sum means no lifetime monthly payments from Supplemental Plan
- Tax issues – especially if use money before 59 1/2
- Can roll lump sum/PLOP to qualified plan such as 457 or traditional IRA to defer taxes to later date
- Longevity should be a consideration
- You determine what is the best option for you
- May be different than choices friends make



# Optional Payment Methods

## Can affect Your Monthly Pension Amount

- Survivor/contingent annuitant
- Payment certain and life annuity
- Modified cash refund
- VRS PLOP
- Supplemental one time lump sum payment option

# Early Retirement Benefit Is Reduced



- VRS monthly pension amount is reduced for each month you are younger than unreduced age/service
- Supplemental pension amount is reduced for each month you are younger than 65 (unless have 30 YOS)

# Early Retirement Reductions Vary by Plan

An illustrative example if you are 55 or older



**Example:** Member is 55 with 29 YOS

**VRS Plan 1** member treated as 1 year from eligibility for unreduced retirement

$(30 - 29 = 1 \text{ year})$

Payment Factor = 94%  $(100\% - 94\% = 6\% \text{ reduction})$

**Supplemental** member is treated as 10 years from eligibility for unreduced retirement

Payment Factor = 50%  $(100\% - 50\% = 50\% \text{ reduction})$

# VRS Reduction



The VRS reduction is affected by your service and age.

The factor may be much greater if you are not yet 55 and have less than 30 years of service.

For example, an employee who is 53 with 29 years of service may see a greater reduction than someone who is 55 with 29 years of service.

# Qualified/Domestic Relations Order (Q/DRO)



- Q/DRO can take place before, during, or after retirement
- Divorce document may indicate ex-spouse can file a DRO; if accepted becomes a QDRO; plan must honor and pay to ex-spouse as indicated in the QDRO
- In order to apply for Supplemental Retirement, provide copy of divorce docs & Q/DRO to Pension
- If you were divorced while working for the City of Alexandria you will need to provide Pension with your Divorce Decree

# The Best Retirement Estimates



The best retirement estimates are the estimates you create when you visit retirement plan websites

Don't rely on annual statement estimates which may overestimate benefit amounts

- [www.varetire.org](http://www.varetire.org) for VRS
- [www.prudential.com/online/retirement](http://www.prudential.com/online/retirement) for Supplemental estimates (or Prudential mail to you)
- [www.icmarc.org/alexandria.html](http://www.icmarc.org/alexandria.html) to view City 457 and Payroll Roth IRA balances and use calculators

# Retirement Board

Investment information and Member contributions



# Supplemental Plan Retirement Board Manages Investments



- The Board includes representatives from the retiree groups and management
- Retiree groups include General Schedule Employees, Deputy Sheriffs, and Medics/Fire Marshals
- Go to the pension webpage on AlexNet to view list of board members
- Board members working for all employees covered under Supplemental plan

# Funding of Pensions



- City and employees contribute every pay period/month so money is available to pay monthly benefits when employee retires
  - 2 FREE pay periods each year for VRS**
- City pays an **employer contribution** to VRS and to Supplemental that can vary each year as determined by plan actuary
- All contributions are invested by each plan's pension board; contributions + earnings pay pension benefits
- City also paid 100% VRS Plan 1 **member 5% contribution** during 7/1982 – 6/30/2012 and Supplemental 2% contribution 7/1982-6/2009
- All employees pay the full 5% VRS member contributions beginning 7/1/2016

# VRS Member Contribution Account



- Not your plan balance
- This is value of money employee will receive if leave City and withdraw all contributions
- Some or all the member/employee

contribution account could be death benefit for employee's beneficiary – it depends

When employee leaves City and takes member/employee contributions

- forfeit all service in the plan
- no longer eligible for a monthly pension

# Supplemental Employee Contribution Account



- Not your balance
- Pre-July 2009 hires: City pays all contributions
  - After 6/2009 City no longer designated 2% of employer contributions as being employee contributions
- Post 6/2009 hires pay 2% employee contributions and City pays employer contributions
- Some or all of the member/employee contribution account could be death benefit for employee's beneficiary

# PENSION SECTION 2



- 3-legged stool of retirement
- Increase Retirement Income
- 457 Catch-up – Age 50 & Pre-Retirement
- Decrease Debt
- Survivor Pension vs Buying Life Insurance
- Pre-paying mortgage
- Taxes

# 3-Legged Stool



## Retirement Stability



# Increase Retirement Income



# Cost of Living Adjustment (COLA)



## VRS

- Plan 1: maximum 5%
- Plan 2/Hybrid maximum: 3%
- First COLA effective July of 2<sup>nd</sup> calendar year after retire unless early retirement
- If retire early with less than 20 YOS: first COLA paid in July of 2<sup>nd</sup> calendar year after would become eligible for unreduced benefit

See also: VRS website and *Getting Ready to Retire* section on Cost of Living Adjustment (COLA)

**Supplemental** – no COLA



# Increase Retirement Income

## More Pension Plan Service



- Work more years to
  - Increase years of service and possible salary increases
  - Decrease or eliminate the pension reductions due to age/service
- VRS allows purchase of eligible government service to increase years of service
- Work after retire
  - New job/career
  - Part-time work



# EXAMPLE:



Work additional year to increase AFC  
(AFC is part of formula to calculate monthly pay)

## Retire this year

Year 1 \$54,000

Year 2 \$57,000

Year 3 \$60,000

\$171,000

Divide by 36 months = AFC \$4,750 for  
**VRS Plan 1**

## Retire one year later

Year 2 \$57,000

Year 3 \$60,000

Year 4 \$63,000

\$180,000

Divide by 36 months = AFC \$5,000 for  
**VRS Plan 1**

Concept is same for VRS Plan 2 and Hybrid, but use 60 months to determine AFC



# EXAMPLE:

## Work Additional Year to Increase AFC

Retire this year Year 1

\$54,000

Year 2 \$57,000

Year 3 \$60,000

\$171,000

Divide by 36 months = AFC

\$4,750 **VRS Plan 1**

(Assume no Salary Increase)

Retire one year later

Year 2 \$57,000

Year 3 \$60,000

Year 4 \$60,000

\$177,000

Divide by 36 months = AFC

\$4,916 **VRS Plan 1**



# Pay Raise Takes 3 – 5 Years

To fully affect pension calculation

- Benefit is based on a 3 or 5 year average compensation (AFC)

Supplemental

VRS Plan 1

VRS Plan 2 & Hybrid

3 years (36 months) AFC

3 years (36 months) AFC

5 years (60 months) AFC

- If you are promoted (or there is substantial salary inflation) it takes 3 or 5 years for the full impact to be reflected in your monthly benefit

# Increase VRS Retirement Income

Purchase Eligible Government Service



To purchasing prior service visit <https://www.varetire.org/benefits-and-programs/programs/pps/>

## Eligible service for purchases

- Active Duty Military service
- Military Service before hire
- Full-time salaried federal service
- Full-time salaried public service other than previous VRS service
- Non-covered service with VRS participating employer
- Approved leave for birth/adoption
- At retirement, use sick leave to purchase service

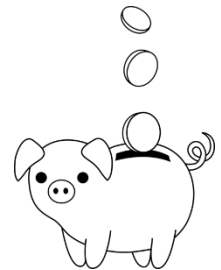


# Increase Retirement Income



Save in 457 or Roth While Employee

- 457 Deferred Compensation Plan
  - Payroll-deducted, pre-tax savings provides tax advantages year contribute
- Payroll Deduct Roth IRA
  - Payroll-deducted, after-tax savings which can provide tax advantages after retire (59 1/2 & in plan 5 years)
- Enroll in or increase contributions while employed
  - As receive increases or decrease debt
- Possible greater contributions within 3 years of retirement



# Payroll Deduct Roth IRA



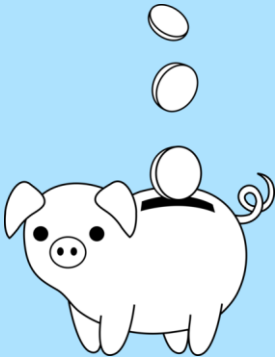
- 2021 after-tax contributions Limit  
\$6,000, or \$7,000 if 50 or older
- Eligibility and maximum contributions determined by modified adjusted gross income (MAGI) of current year and tax filing status

| Eligibility    | Married               | Single               |
|----------------|-----------------------|----------------------|
| Full Amount    | Less than \$198,000   | Less than \$125,000  |
| Partial Amount | \$198,000 - \$207,999 | \$125,000- \$139,999 |
| None           | \$208,000 or more     | \$140,000 or more    |

# 457 Deferred Compensation Plan

Annual Deferral Limits 2021



| 457 Annual Contribution Limits                                                                                      | Amount                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual deferral limit                                                                                               | \$19,500                                                                                                                                                                                                                                                                                                                                                                                     |
| Age-50 Catch-up limit                                                                                               | $\$6,500 + \$19,500 = \$26,000$                                                                                                                                                                                                                                                                                                                                                              |
| Pre-Retirement Catch-up limit<br> | <p>Up to <math>2 \times \\$19,500 = \\$39,000</math></p> <ul style="list-style-type: none"><li>• Sum of contributions not made in prior years</li><li>• Subject to annual deferral limit of each year</li><li>• Must be eligible to receive unreduced retirement or within 3 years of being eligible</li><li>• Need to complete catch-up form with Pension Administration Division</li></ul> |

# 457 Pre-Retirement or 3-Year Catch-up #1

Example: Employee Did Not Contribute Maximum Amount Each Year

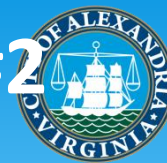


|        | <u>Actual Contributions</u> | <u>Maximum Contribution Limit</u> | <u>Difference</u> |
|--------|-----------------------------|-----------------------------------|-------------------|
| Year 1 | \$ -                        | \$ 7,000                          | \$ 7,000          |
| Year 2 | \$ 7,000                    | \$ 7,500                          | \$ 500            |
| Year 3 | \$ 7,500                    | \$ 7,500                          | \$ -              |
| Year 4 | \$ 9,000                    | \$ 15,000                         | \$ 6,000          |
| Year 5 | \$ 10,000                   | \$ 15,000                         | \$ 5,000          |
| Year 6 | \$ 12,000                   | \$ 15,000                         | \$ 3,000          |
| Year 7 | \$ 11,000                   | \$ 15,500                         | \$ 4,500          |
| Year 8 | \$ 15,500                   | \$ 15,500                         | \$ -              |
| Year 9 | <u>\$ 13,500</u>            | <u>\$ 16,500</u>                  | <u>\$ 3,000</u>   |
|        | <b>\$ 85,500</b>            | <b>\$ 114,500</b>                 | <b>\$ 29,000</b>  |

Over entire career contributions to 457 Plan could have been \$29,000 higher before reaching the maximum contribution limit.

In using the three-year catch up provision, this participant can contribute up to the maximum deferral limit plus amounts adding up to a total of \$29,000 over a three year period. But in any year total contributions may not exceed the annual deferral limit + the 3 year catch-up limit for eligible participants.

# 457 Pre-Retirement or 3-Year Catch-up #2



Examples: Using Pre-Retirement Catch-up in Final Three Years

1) To defer most/all leave cash out:

|              | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|--------------|---------------|---------------|---------------|
| Annual Limit | \$ 19,500     | \$ 19,500     | \$ 19,500     |
| Catch Up     | \$ -          | \$ -          | \$ 19,500     |
| Total        | \$ 19,500     | \$ 19,500     | \$ 39,000     |

2) To put money to work fastest:

|              |           |           |           |
|--------------|-----------|-----------|-----------|
| Annual Limit | \$ 19,500 | \$ 19,500 | \$ 19,500 |
| Catch Up     | \$ 19,500 | \$ 6,500  | \$ 3,000  |
| Total        | \$ 39,000 | \$ 26,000 | \$ 22,500 |

3) To make cash flows easier:

|              |           |           |           |
|--------------|-----------|-----------|-----------|
| Annual Limit | \$ 19,500 | \$ 19,500 | \$ 19,500 |
| Catch Up     | \$ 9,650  | \$ 9,650  | \$ 9,700  |
| Total        | \$ 29,150 | \$ 29,150 | \$ 29,200 |

These are examples. Refer to ICMA-RC booklet *Pre-Retirement Catch-up Form 457 Deferred Compensation Plans*

for more information.

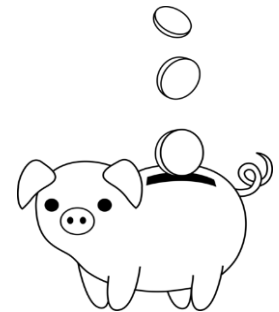
These examples show someone able to utilize the catchup provisions to contribute an additional \$29,000. Your circumstances will be different.

# Increase Retirement Income

## Contribute Leave Pay to 457



- Some/all leave paid at retirement may be contributed (deferred) to 457 helps reduce federal and state taxable income for that calendar year
- Still owe Social Security and Medicare taxes on leave pay contributed to 457
- Employees with large leave balances may want to stop work end of December and begin retirement January 1 to contribute most leave pay to 457 in new tax year



# 457 Pre-Retirement Catch-up

For Leave Pay When Retire



Contact Pension no later than one year before you plan to retire

- To determine eligibility
- To complete forms for ICMA-RC one year in advance of retirement

# Leave Pay at Retirement



- City Human Resources Benefits staff administers leave policy
- Review AR 6-18 and 6-14 on leave that is eligible to be paid at retirement
  - Annual leave (up to annual cap)
  - Comp time (may be limits)
  - 25% of Sick leave if have 20 years of service with the City (*discuss with HR Benefits staff*)

# Leave Paid Directly to You

In Last Pay Check Is Taxed



- 22% federal taxes will be withheld

NOTE: withholding may not be same as what is owed

- For state tax withholding, leave pay treated as regular income

When prepare tax return at end of year may:

- 1) receive larger tax return, or
- 2) owe less taxes, or
- 3) owe more taxes

Talk to your tax advisor

# Increase Retirement Income Other Sources



- Other income
- Other retirement plans
  - Benefits from other employer plans
  - Personal savings and investments
- Spouse's retirement
- Inheritances
- Work after retire





# Increase Retirement Income

## Reduce Debt Before or When Retire

- Reduce or eliminate debt
  - Credit cards and department store card
  - Personal loans or debt
  - Any 457 loan
- Pay off mortgage
  - But, may be to your advantage to keep mortgage for tax advantages during retirement



457



## Balance at Retirement

- At retirement, loan balance becomes a “deemed distribution”
  - You will receive W2 from ICMA-RC and may owe taxes
  - You were not taxed when loan was paid to you
- Can pay off 457 loan before retire
  - Coordinate with Pension Division
  - All loan payments process through Payroll system
  - You must make arrangements with Pension **no later than one month before** retirement date to pay off loan

# Pre-paying a Mortgage



- Discuss with your tax/financial advisor whether prepaying a mortgage is an effective retirement savings strategy for you because tax laws have changed over the past couple years.

## Consider:

- Tax advantages, if any, of having a mortgage
- Savings and investment opportunities if you don't have a mortgage
- Cash needs in retirement, especially for home emergencies or home improvement



# Taxes on Monthly Payments



- VRS and Supplemental payments are taxable
  - Except employee after- tax contributions prior to 7/1/1982 and some lump sum purchases of service costs

## Tax questions?

- Consult a financial/tax advisor
- Pension staff are not certified to give tax advice

# Taxes on Lump Sum Payments



VRS PLOP and Supplemental lump sum

Lump sum payments are taxable when paid

Exception: You can rollover money to qualified plan (traditional IRA, 457) to defer owing taxes until use money

Lump sum payments may be subject to additional 10% federal early distribution tax penalty if younger than 59 ½ -

\*ASK TAX ADVISOR

IRS Publication 575 – Pension and Annuity Income

(<https://www.irs.gov/pub/irs-pdf/p575.pdf>) may be helpful

# Death Benefits



# Check Your Beneficiaries Now



Complete new beneficiary forms any time

Consider completing new forms now

VRS and Prudential will **verify** if what you tell them is correct

VRS: Call VRS at 888.827.3846  
8:30 a.m. to 5:00 p.m. Monday to Friday

Supplemental: Call Prudential at 877.778.2100  
8:00 a.m. to 9:00 p.m. Monday to Friday

For City 457, VRS Hybrid 457 and Roth IRA accounts  
Log on to [www.icmarc.org/Alexandria.html](http://www.icmarc.org/Alexandria.html)  
to view or change your beneficiaries



# Pension Terminology

## **Beneficiary, Survivor/Contingent**

### **Beneficiary**

- Receives available death benefit, if any, from the pension plan – paid as a lump sum
- Supplemental 5-10-15 Certain & Life Annuity payment option has limit on payments to beneficiary - not a lifetime benefit for beneficiary
- Primary and Contingent beneficiaries

### **Survivor Annuitant or Contingent Annuitant**

- You elected a Joint & Contingent annuity
- Receives lifetime monthly payments after you die

# Disability Retirement



## VRS

For information on VRS disability retirement, go to  
<https://www.varetire.org/pdf/publications/disability-retirement-handbook.pdf>.

**NOTE: Hybrid members are not eligible for disability.**

- Click on Publications and Virginia Retirement System Disability Retirement - Handbook for Members in Plan 1 and Plan 2 (not option for Hybrid members)

## Supplemental

- Need to receive Social Security Disability award
- Benefit is based on AFC and YOS – no reduction for age

**\*Contact Pension Administration Division for an appointment to discuss**

# VRS Payment Amount Can Increase If Survivor/Contingent Dies or You Divorce



## **VRS:** Pop-up and/or Possible Payment Re-election

- Pop up to Basic benefit if spouse dies first, or
- If divorce and spouse agrees to give up contingent benefit or if married less than 20 years
- Can possibly elect new survivor/contingent – affects your amount
- See Survivor Option section in *Getting Ready to Retire* brochure and the website

**Supplemental:** no change to your payment amount after survivor's death

**Exception:** QDRO/DRO may require part of your benefit be paid to another person

# Survivor Payment vs Buy Life Insurance

## #1



1. Buy the insurance in advance (before retirement)
2. Underwriting
  - a. Insurance is underwritten
    - Are you in good health?
    - Chain smoker? Family history of cancer?
  - b. Joint and survivor pension options are not underwritten
    - Pension plan assumes you and your beneficiary are “average”
3. The best insurance rates are 15-year and 20-year term policies. Do you want lifetime protection?
  - What will premiums be after 15-20 years?

# Survivor Payment vs Buy Life Insurance

## #2



4. Amount of life insurance coverage
  - a. Life insurance comes in almost any amount.
  - b. Life insurance policies usually have fixed face amounts (death benefits).
  - c. Will your needs increase or decrease?
  - d. It is easier to decrease coverage than to increase it. Increasing coverage after the policy is issued usually requires additional underwriting.
  - e. Is there an expiration date on insurance policy, such as age 84?
5. Life insurance companies pay their agents substantial commissions. Pension options come without commissions.
6. What if your beneficiary dies first?

# Survivor Payment vs Buy Life Insurance

## #3



7. What if death is for a non-covered event (called to active military duty, etc.)?
8. Payout options
  - a) Life insurance provides a lump sum
    - i. Flexible
    - ii. If you purchase annuity, rates may not be advantageous
  - b) Joint & Survivor Option provides only an annuity
9. If life insurance is to protect someone when you are not here, consider the spending habits of that person

# PENSION SECTION 3

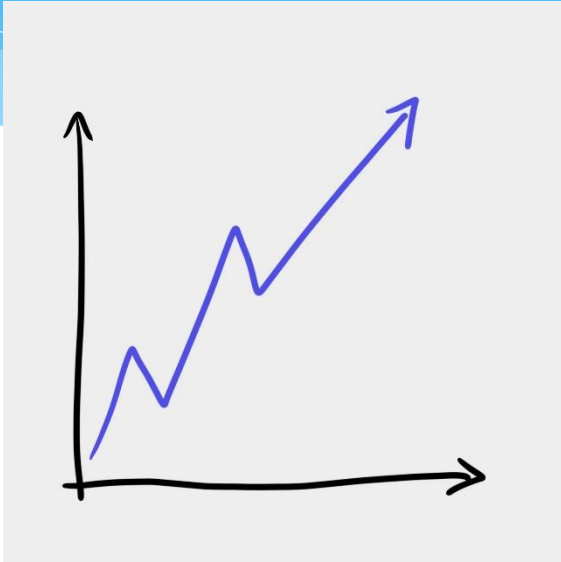


- Income needs
- Inflation
- Working after retirement
- Social Security



# Income Needs Can Vary After Retire



- You retire and receive City pensions
  - Costs for fixing the house to sell
  - Costs to move
  - Start pension payments from other employers
  - Take Social Security sometime between 62 – 70
  - You turn 65 and become covered by Medicare
  - Draw money from 457 or IRA or investments
- 
- A line graph on a light gray background with a black vertical y-axis and a black horizontal x-axis. A blue line starts at the origin, rises to a peak, falls to a local minimum, rises to a higher peak, falls to another local minimum, and then rises steadily to the top right corner, ending in an arrowhead. This represents fluctuating income needs over time.
- Age 70 ½ (Required Minimum Distributions (RMD)for 457, IRAs, etc.
  - Care costs increase because sick, disabled, go into assisted living facility, or nursing facility
  - Spouse retires .....etc.

# Costs can increase and decrease in retirement



## ■ Costs that can Increase

- Insurance premiums
- Doctor's visits, medication, dental, vision costs
- At home costs
- Entertainment
- Vacation/travel
- Eating out
- Hobbies

## ■ Costs that decrease

- Pensions not subject to Social Security and Medicare deductions
- Cost of commuting to work goes away
- Work parking costs go away
- Gas, car expenses can reduce
- Don't need work clothes

# Working after Retirement



# Warning: Working After Retire



**VRS** pension will stop if work in a job covered by the Virginia Retirement System.

Will restart when retire again.

**Supplemental** pension will stop if return to City in a covered full-time or covered part-time position.

Will restart when retire again.

**Social Security** has an earnings limit if retire early under Social Security (on/after 62 and before your Social Security full retirement age).

# VRS Rules on Return to Work With City



- **No pre-arranged employment commitment** with the employer before retire
- Must have at least **one full calendar month break** in service before can return to City employment whether as City employee, City temp, agency temp, a consultant, etc.
- Cannot perform all the duties required of preretirement, full-time position
- Employer needs to evaluate the need for the position periodically if it does not have an end date
- Cannot work more than 80% of full-time position. Position descriptions should clearly define the difference between part-time and full-time positions requiring the same skills, experience and knowledge.

**YOUR RESPONSIBILITY** to make sure you comply with VRS rules.

**FINANCIAL PENALTIES** for you and City if do not comply.

# Social Security Concerns



# Social Security Full Retirement Age

(Assumes You Accrued 40 Credits)



| Year of Birth | Full Social Security Retirement Age |
|---------------|-------------------------------------|
| 1943-1954     | 66                                  |
| 1955          | 66 and 2 months                     |
| 1956          | 66 and 4 months                     |
| 1957          | 66 and 6 months                     |
| 1958          | 66 and 8 months                     |
| 1959          | 66 and 10 months                    |
| 1960 or later | 67                                  |

Note: Social Security is subject to possible future changes to benefits amount and early and normal (full) retirement age

# Social Security Concerns



- Early retirement 62 or before Social Security full retirement age
  - Benefit reduced
  - Earnings limit if work before full retirement age

## **Possibility of greater benefit if you collect after age 70.**

- You may be eligible for more Social Security benefits if you are or were married
  - If spouse's or ex-spouse's earnings greater than yours
  - If spouse or ex-spouse dies and you turn 60Social Security online can calculate this for you

Go to [www.socialsecurity.gov](http://www.socialsecurity.gov)

# Social Security Earnings Limit 2021



Under federal law, people who are receiving Social Security benefits, and who have not reached full retirement age, are entitled to receive all of their benefits as long as their earnings are under the limits indicated below. If earnings exceed limits, the Social Security benefits will be affected.

- At full retirement age or older  
No limit on earnings
  - Under full retirement age  
**\$18,960**  
Limit  
For every \$2 over the limit,  
\$1 is withheld from benefits.
  - In the year you reach full retirement age  
**\$50,520**  
Limit  
For every \$3 over the limit,  
\$1 is withheld from benefits until the month you reach full retirement age.
- Questions: [www.socialsecurity.gov](https://www.socialsecurity.gov) or call 800.772.1213

# Social Security and Medicare



Here are some questions you might ask:

- Based on my City retirement date of \_\_\_\_\_ and last paydate of \_\_\_\_\_, when do I (and my spouse) need to apply to Social Security and Medicare to start receiving benefits timely? Remember, you may receive final paycheck month after retire.
- How will leave paid in last paycheck on \_\_\_\_\_ date affect your Social Security earnings limits for that year if you are at or younger than your Social Security Normal Retirement Age (66 – 67)? (even if contribute some or all leave to 457)
- How will leave paid in last paycheck on \_\_\_\_\_ date or contributed to 457 affect the amount of your Medicare B premiums?
- What information does Medicare need if I, or my spouse, will be 65 in the year that I retire? Do we need to apply for Medicare during the Medicare Open Enrollment season of that year? (Coordinate with HR Benefits staff.)

Go to [www.socialsecurity.gov](http://www.socialsecurity.gov), to learn more. Look for Questions and Answers. Pension Staff can not help you with

your questions on Social Security and Medicare.



# PENSION SECTION 4

- Retirement Application Process
- Important Dates
- Things to consider



# Retirement Application Process



# When to Start Planning and Preparing for Retirement



- You are responsible for planning and preparing for your retirement
- At least 2 – 5 years before retiring you should be in planning and preparation stage
- What are your goals and plans for retirement?
- Log into VRS and Supplemental websites to estimate various payment option
- Be sure to examine all payment options – you do not commit to a payment option when using the estimators
- Review payment options under City retirement savings plans, 457 Plan or Roth IRA, plus any personal accounts that you have
- What other income sources will you have in retirement (other retirement plans)?
- Are you going to another job or will you have a part-time job in retirement?
- What debt do you have now and how much can you eliminate or reduce before retire?
- Who do you need to provide for in retirement – spouse, child, parents?
- Evaluate if you can retire when you plan or do you need to work longer?

# One Year Before Plan to Retire

Contact Pension Division



- After you have considered possible retirement dates
- After you have visited websites and created estimates to bring to meeting with Pension
- After you discuss with spouse/other or have preliminary discussion regarding payment options



# Steps to Take at Least One Year Before Plan to Retire



- Complete Marital Status Update Form
- Provide divorce documents to Pension if divorced while working for City; and any Domestic Relations Order (DRO)
- Discuss with Pension if want to contribute some/all leave pay to 457 – may need to complete forms
- Evaluate if can afford to retire when plan

# Schedule A Meeting with Pension

Four (4) Months Prior to Retirement



Meet with Pension to provide completed retirement application forms

- Supplemental Retirement Application
- VRS Application for Service Retirement and Designation of Beneficiary Form(s)
- Legible copy of proof of birth
- Legible copy of spouse/contingent's proof of birth if elect survivor pension
- Legible copy of marriage certificate if plan to elect Supplemental survivor option
- Divorce documents, if applicable
- 457 Change Form for leave pay, if applicable

# Required Documentation



# Find Documents Now



- Proof of birth for you
- Proof of birth for spouse/other if will elect a survivor pension
- For proof of birth go directly to state agency, don't pay \$50 to some website company
- Divorce documents – we need complete legible copy including any agreements such as property or settlement
- Any Qualified Domestic Relations Order (QDRO) or Domestic Relations Order (DRO)

# Proof of Birth



**Find it  
now!**

VRS will accept any of following for proof of birth

- Passport (active or expired)
- Hospital birth record or birth certificate
- Church record of birth or baptism
- Naturalization record
- Immigration record (provide translation if necessary)
- Census Bureau notification of registration of birth
- Military record
- Physician's or midwife's birth record
- Certification of approved form of Bible or other family record
- Report of confidential Social Security benefit information (Form 2458)
- Flyttningsbetyg or similar foreign birth record - provide translation if necessary - call VRS for more information on this



# Marriage & Divorce Documents

if applicable



Pension may need a copy of your marriage certification depending on your elected payment option.

Pension will need divorce documents to process your Supplemental retirement application.

Delays in providing divorce documents will delay pension processing.

Note: Completed Q/DRO can sometimes take years to qualify.

# If Retiring August – December

and you plan to elect a Lump Sum  
Supplemental Plan



- Meet with Pension staff before end of July
- You may need to submit application to Pension no later than August 15
- May want City retirement date (your last day of work) to be no later than November 30  
discuss this with Pension staff
- If work in December, lump sum may be less than if stopped work in November

# 2 Pensions Plans = 2 Sets of Forms



- You are applying to retire from two plans
  - VRS
  - City Supplemental Retirement Plan
- This means you fill out retirement forms two plans

# Supplemental Retirement Application Forms



- On the Supplemental Retirement Application form you notify Pension
  - a. Of your last day of work
  - b. whether you divorced anyone while working for the City
- The City will notify Prudential to mail you a complete retirement package
- The retirement package from Prudential will be about 21 pages, but you will only need to complete 6 - 8 of the pages
- On the Prudential Distribution Election form you tell us how you want to receive your pension:
  - a. as one of the monthly options or
  - b. as a single lump sum payment

# Information on VRS Retirement Application Process



- Visit VRS website, [www.varetire.org](http://www.varetire.org)
- Log on to myVRS to create retirement estimates

# Contact us!



- Work with Pension to coordinate all your retirement benefits including Supplemental, 457 Deferred Compensation, as well as VRS.
  - Pension Division will provide most current applications: VRS-5; VRS-2, and VRS-45 (if applicable)
  - Return completed applications to Pension Division along with  
Proof of Birth for you  
Proof of Birth for survivor (if electing a survivor option)
- You also need to work with City Human Resources about retiree health and life insurance.

# VRS Health Insurance Credit (HIC)

## State Mandated Benefit



## For Some City Employees

- State law mandates who is covered – VRS administers
- Eligible City employees include: DCHS employees with 15 or more year as a social services employee; employees of Voter Registration, Commonwealth's Attorney and Sheriff's Office
- Reimbursement of some/all insurance premium
- Must have 15 years of covered service to be eligible and paying for health insurance
- Receive each month additional \$1.50 up to \$45 maximum
- Pension will discuss forms with you when you retire
- Call VRS for questions, especially if you worked for two or more employers

# Important Dates



# City Retirement Date

Last day of work



- Notify your department and HR that you are retiring on this date
- Typically at end of month
- Must work on this day – City policy
- The rules don't change to accommodate your plans



# Pension Effective Date



1<sup>st</sup> of the month after your last day of work

This is your **Pension Benefit Commencement Date**  
or **Pension Retirement Effective Date**.

Cannot work on this date!!!

Retirement benefits are effective on this date, but ...

- VRS calls this your VRS retirement date
- VRS pays all payments one month later
- Supplemental pays first payment close to one month later, but retroactive to this date



# What happens if you work on the 1st



- Change's pension effective date and when first payment is due
- Affects health insurance coverage
- **Big problem** if you tell Pension you will retire from City on 30<sup>th</sup>/31<sup>st</sup>, but you work on the 1<sup>st</sup>

\*First pension payment may now be payable one month later than you planned

# Notify Your Department When You Are Retiring



- You are responsible for informing your department that you are retiring and the last day you will work which is your City retirement date.
- You cannot work past your City retirement date (last day of work). Make sure your department leave keeper is aware of this. Tell them to call Pension if have questions. If they enter hours on the 1<sup>st</sup> it will cause problems with start of your VRS/Supplemental payments.
- Example: November 30<sup>th</sup> is a Thursday and December 1<sup>st</sup> is Friday (PPE)
  - You cannot work or have leave hours on the 1<sup>st</sup> if want pension effective December
  - PAF for retirement needs to show last day of work as retirement date.

\*If final PAF shows retirement date as 1<sup>st</sup> or if leave sheet reports hours on 1<sup>st</sup> may cause pension payments to start one month later than you planned.

# Pension May Be Required to Notify Departments of Your Retirement



- Pension may be required to notify department when employees are retiring, especially in the second half of the year
- If department head or supervisor asks if you have applied to retire Pension will confirm if application is submitted

**Note: Pension notifies City HR when you submit VRS retirement application. At some point HR may contact your department.**

# Last day of work



In choosing your last day of work, you need to consider the rules of each plan

- VRS recognizes that you have met age and service on the first day of the month
- Supplemental Plan recognizes that you have met age and service on the last day of the month

# Your Best Retirement Date



1. When you are eligible to retire,
2. When you can afford to retire,
3. When you are ready to retire,



# Assess Your Own Personal Situation



Being able to retire may not be the best reason for you to retire.

- Do you still enjoy working?
- Are there possible promotions that interest you?
- What are you going to do in retirement?
- Can you afford to retire?
- Are you really, really, really ready to retire?
- Did you have a milestone you wanted to achieve, such as 40 YOS or age 66

Your situation may be different from that of your friends who are also retiring or have retired.



# Considerations

## When Determining Your Retirement Date

- Large amount of leave pay – tax treatment might be better if work until end of December.
- Receiving leave payment in January after stop work in December means new year for calculating 457 contributions limit
- Many holidays October – February
- Holidays and family events
- Weather/season when retire

# What is Best Payment Option



VRS and Supplemental Plan have several payment options

You can choose different payment option for each plan

- Basic or Life Annuity
- Survivor Annuity naming spouse/significant or other person as Survivor
- VRS PLOP and/or Supplemental Lump Sum
- VRS Advance Pension Option

## Consider

- How much income will you need each month
- Who you want to provide for in retirement and after your death
- If take lump sum, can you/survivor manage money well

# Consider Your Life Expectancy



Per data from Social Security:

- 1 out of three 65 year olds today will live past 90
- 1 out of seven will live past 95

VRS says largest growing group of retirees are those who are 100 or older.

If you come from a long-living family, you may need extra money in later years

When you plan for retirement plan for the long term

# If You Plan to Rollover Lump Sum Payments

VRS or Supplemental to 457



Must be enrolled in 457 Deferred Compensation Plan or traditional IRA before you retire if you want to roll to 457 or a traditional IRA

You cannot enroll in 457 after you leave the City

If rolling lump sum to traditional IRA, tell them it may be more than 30 days before rollover happens

Talk to Pension about your rollover plans.

# When Rolling VRS PLOP or Supplemental Lump Sum Payment to 457



## Make Sure You Are Providing Correct Rollover Information

- 457 Plan will refuse rollover if rollover payable information is wrong
- Check with Pension Administration for correct information at time you are completing forms
- Employees have filled in wrong information, even after calling ICMA-RC
- Financial Advisors have filled in wrong information, even after calling ICMA-RC
- For rollovers of VRS PLOP and Supplement lump sum Pension will provide an additional form required by 457 Plan

# Payments Start



Assuming all completed application papers have been submitted timely:

- First VRS payment is payable the month after your pension effective date.
- All VRS payments are paid one month later  
Example: If pension effective date is June 1, 1<sup>st</sup> payment is July 1
- Supplemental plan owes you payment on pension effective date
  - Prudential needs final paycheck information (on/after payday) to finalize calculations and pay you
  - First payment can be one month late, but will be retroactive



There can be 1 – 1 ½ month lag between last day of work and first retirement payment ☹ you need money to cover you for this time

# Verifying Pension Payments for your Financial Institution



Pension payments can only be verified after pension payments start

If you are buying home, refinancing, or need pension payment verification

- Call VRS at 888.827.3847 for verification of VRS pension payments
- After VRS pension payments start, log on to retiree part of the VRS retiree website for possible verification information available that you can print
- For verification of Supplemental pension payments contact Prudential at 877.778.2100

# Retirement Can Be Deferred



- Can defer your retirement date and the start of pension payments for VRS and/or Supplemental until a date after leave City
- May eliminate or reduce age reductions and provide bigger payments

## **Important Note:**

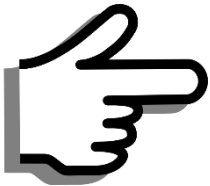
Discuss with HR Benefits how deferring VRS retirement will affect retiree health and life insurance benefits.

# Other People to Contact



- City HR Benefits staff for Exit Interview appointment 2 months before retire
  - Health and life insurance benefits and costs
  - Number of hours leave will be paid
- Costs and benefits of medical, life, dental insurance coverages
- Should you make change to insurance benefits during Open Enrollment season before you retire
- Leave payout benefits and the caps
- Other benefit concerns
- ICMA-RC Retirement Specialist, Kathy Findeisen or Antoinette Guy-Wharton for City 457 and Payroll Roth Plan
- Notify your department 1 – 3 months before your City retirement date
  - Provide letter with City retirement date/last day work
  - See AR 6-18 regarding separating in good standing
- Financial/Tax Advisor
- Lawyer

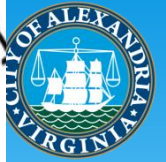
# Keep in mind



If you or spouse turns 65 or is already 65 in year you retire

talk with HR Benefits staff regarding health insurance coordination with Medicare.

# If You Are Thinking of Retirement, Then It Is



- Start and maintain a budget
- Eliminate or reduce debt before retirement
- Consider when best to pay off mortgage
- Consider if want life insurance and apply before retire
- Try on retirement: begin living on retirement income 6 – 12 months before retire
- Find your birth certificate or proof of birth
- If you will elect a survivor payment option, need birth certificate for survivor and marriage certificate if survivor is your spouse

# Have Conversations with Family



Talk about when you can no longer make your decisions

- How and where do you want to live
- Who is to manage your affairs\*\*\*
- How is your money to be spent/allocated

\*\*\* Consider whether spouse may be best person or only person to make decision. What if spouse is incapacitated?

# After You Retire



Keep all record keepers updated on address changes

Update Human Resources and Pension on address changes

If changing where monthly payments are to be deposited, make sure payments go into new account before close older account.

# Retirement Is the Next Phase



*On Your Life's Journey  
It's Not the End  
It's just the beginning . . .*

