

# Retirement Benefits at a Glance for City Employees (Non-Public Safety)

The City contributes to or sponsors **three** retirement plans: the Virginia Retirement System (VRS), Supplemental Retirement Plan, and 457 Deferred Compensation Plan. Your retirement benefits also include Social Security, to which you and the City contribute each pay period, and health and life insurance provided by Human Resources.

## Virginia Retirement System (VRS)

VRS provides the City of Alexandria's retirement and disability benefit programs. The VRS retirement benefit is a defined benefit plan qualified under section 401(a) of the Internal Revenue Code. *The Handbook for Members of the Virginia Retirement System* provides more detailed information and can be found on the [VRS web site](#) under Publications or can be requested from the Pension Administration Division.

You may also call 1.888.827.3847 to speak to a VRS Customer Contact Center Representative. Representatives are available from 8:30 a.m. to 5:00 p.m., Monday – Friday.

### Eligibility

This is the primary retirement plan for permanent, full time City employees who are not covered under the Firefighters & Police Officers Pension Plan.

### Contributions

The City pays the 5% member contribution to VRS each month. The contribution is calculated on base compensation which does not include overtime, shift differential, bonuses, or other special pay. The City also pays an additional employer contribution at a rate determined every two years by VRS. The employer contribution rate for FY 2009 and FY 2010 is 7.07% of base compensation.

### Vesting

You are vested when you accumulate five years of Credited Service. This means you are eligible to receive a monthly retirement benefit when you retire and satisfy age and service requirements.

### Credited Service

You accumulate credited service for each month that the City makes contributions for you. Your total Credited Service includes any service you accumulated while working for another VRS covered employer or that you purchased, unless you previously received a refund of contributions for that service. Credited Service is used to determine your vesting status and the amount of your retirement benefit.

### Retirement - Unreduced

You may retire and receive an unreduced monthly benefit when you are:

- ♦ At least 65 years old, with at least five years of credited service or
- ♦ At least 50 years old, with at least 30 years of credited service.

## Retirement - Reduced

You may retire early and receive a reduced monthly benefit when you are:

- ♦ At least 55 years old, with at least five years of credited service or
- ♦ At least 50 years old, with at least ten years of credited service.

You may calculate your reduced benefit by logging onto the [VRS web site](#) and clicking on retirement estimates. You may also see an explanation of how the reduced benefit is calculated if you click on *Handbook for Members* found under the Publications tab.

## Service Retirement Benefit Formula

The formula to calculate a service retirement with an unreduced benefit is 1.7% of average final compensation (AFC) multiplied by number of years of credited service.

For a reduced benefit, the above amount is multiplied by an early retirement factor. The early retirement reduction factors can be found in the *Handbook for Members*.

## Average Final Compensation (AFC)

AFC is the average of the 36 consecutive months of highest creditable compensation, wherever it appears in your VRS salary history.

## Retirement Payment Options

The **Basic Benefit** is a monthly benefit paid to you for your lifetime that is calculated using the Service Retirement Benefit Formula. No further benefits are payable at your death. However, your beneficiary would receive a lump sum payment equal to the total amount in your member contribution account at retirement minus any benefits paid to you.

You may choose the **Survivor Option** if you wish to provide a benefit at your death to a person (contingent annuitant) you select. Your monthly benefit will be reduced under this option in order to provide a benefit to your contingent annuitant. The amount of reduction applied to your benefit is determined by the difference in age between you and your contingent annuitant and the percentage of benefit you wish to provide. You may choose anyone as a contingent annuitant, but the Internal Revenue Service limits the percentage of benefit payable to your contingent annuitant. You may be eligible to convert your Survivor benefit to a Basic benefit if your survivor dies before you, if you divorce or if the survivor agrees. Contact VRS to discuss this further.

The **Advance Pension Option** allows you to temporarily increase your benefit beginning at retirement until the age you select that is at least 62 years old but less than your unreduced retirement age under Social Security.

You may choose the **Partial Lump-Sum Payment Option (PLOP)** if you choose the *Basic Benefit* or the *Survivor Option* and you work one, two, or three whole years beyond the time you are eligible for an unreduced retirement. The amount of the lump sum benefit is determined by the number of years you work past the date you are eligible for an unreduced retirement.

Detailed information on the payment options and how they are calculated may be found in the *Handbook for Members*.

### **Termination Prior to Retirement**

If you terminate employment prior to being eligible for a monthly retirement benefit you may choose to:

- Receive a refund of the member contributions, plus any earned interest, which results in a forfeiture of service credits; or
- Leave contributions and service credits in the VRS and defer receiving retirement benefits until satisfying age and service requirements for an unreduced or reduced benefit (option available if you are vested); or
- Leave contribution and service credits in the VRS with the expectation of earning additional service credits while working for another Virginia governmental employer or returning to work for the City.

### **Death Benefits Before Retirement**

If you die while still employed with the City, your beneficiary will receive a lump-sum payment equal to the amount of the member contribution account. However, a beneficiary who is a spouse, minor child, or parent may elect to receive a monthly benefit. If your death is work-related, both a lump-sum benefit and a monthly benefit may be paid.

### **Purchase of Prior Service Credit**

You may be eligible to purchase prior service credits for prior employment service if that service does not make you eligible for benefits with another pension plan. Purchase of prior service allows you to increase your retirement benefit or to retire at an earlier age. Prior service eligible for purchase includes full-time employment with other governmental employers at the federal (includes Peace Corp), state, or local level; prior active duty military service; approved leave of absences from these employers for the birth or adoption of a child or for education purposes; VRS refunded service; and non-covered service while working for a VRS-covered employer.

### **Portability of Service and Active-Duty Military Service**

Some Virginia governmental employers do not participate in VRS but may have a portability agreement that allows you to transfer to VRS the value of the benefit in their plan. Full-time employees who are called to active military duty while working for the City may be eligible to purchase service at zero cost if they return to work within the time specified by VRS.

For detailed information on purchasing prior service visit the VRS web site or call the Customer Contact Center.

### **Disability Retirement**

If you are unable to perform your job because of a disability that is likely to become permanent, you may apply to receive a disability retirement benefit from VRS. If you are vested and approved for the disability retirement, your benefit is equal to the higher of the VRS formula amount or the minimum guaranteed benefit. If you are not vested, you are eligible for the minimum guaranteed benefit. The minimum guaranteed benefit ranges from 33 1/3% to 66 2/3% of the Average Final Compensation, depending on whether the disability is service-related and if you qualify for Social Security benefits.

**Retirement Estimates**

You may calculate your unreduced or reduced monthly benefit by logging on to the [VRS web site](#) and clicking on Benefit Estimator. You may also see an explanation of how the reduced benefit is calculated if you click on *Handbook for Members* under Publications on the Members tab.

## Supplemental Retirement Plan

This plan, often referred to as the City Plan, is administered by Prudential Retirement. This is a defined benefit plan qualified under section 401(a) of the Internal Revenue Code. This is a second retirement plan for employees who are eligible for a VRS retirement benefit.

**Eligibility**

You are eligible for this benefit if you are a regular, full-time employee or a regular, part-time employee scheduled to work at least 50% time and you are not covered under the Firefighters & Police Officers Pension Plan.

**Contributions**

The City pays the 2% employee contribution in addition to the employer contribution amount.

**Vesting, Service, and Credited Service**

You are vested when you accumulate five years of Service. You receive a year of Service when you complete a year of employment with the City in a covered position. A regular, full-time employee 60 years of age or older is vested regardless of the number of years of Service that have been accumulated.

You will also accrue Credited Service for each month that the City contributes to the Supplemental Retirement Plan. Eligible part-time employees earn Credited Service on a pro-rated basis that is determined by the amount of your scheduled work hours. Part-time employees were first covered under this plan effective July 1, 1999.

**Retirement - Unreduced**

You are eligible to retire with an unreduced retirement benefit when you are at least 65 years old with at least five years of credited service or at least age 50 with at least 30 years of credited service. You may estimate your unreduced retirement benefit on the [Prudential Retirement web site](#).

**Retirement - Reduced**

You are eligible to retire with a reduced benefit when you are at least 55 years old with at least 5 years of Credited Service. The amount of reductions depends on how far you are from age 65. You may estimate your reduced retirement benefit on the [Prudential Retirement web site](#).

**Retirement Benefit Formula**

The formula to calculate a retirement benefit is:

- 0.8% of Average Earnings multiplied by years of Credited Service earned after 12/31/1987; plus
- If you were covered prior to January 1, 1988, the Past Service benefit as determined by the plan.

For a reduced benefit, the above amounts will be multiplied by the appropriate early commencement factor as

provided in the Table of the Supplemental Retirement Plan document.

**Average Earnings**

Average Earnings are the average monthly earnings (excluding overtime, shift differential, bonuses, and other special pay) over any 36 consecutive full calendar months of Credited Service during the 180 full calendar months preceding retirement or termination that produces the highest average.

**Retirement Payment Options**

You may choose one of the following payment options for your retirement benefit:

- The **Life Annuity** provides a monthly benefit for your lifetime. No additional benefits are payable at your death.
- The **Modified Cash Refund** provides a monthly benefit for your lifetime. A lump-sum benefit is payable to your beneficiary if the sum of the monthly benefits paid to you does not exceed the total employee contributions made by the City (and possibly you) plus the interest earned while you were employed by the City. The value of the lump-sum payment is zero once the sum of monthly benefits paid equals or exceeds the value of employee contributions plus interest.
- The **Joint and Survivor Option** pays you a monthly benefit for your lifetime and at your death, begins paying a monthly benefit to your beneficiary for the rest of his/her life. You may choose a 50%, 66 2/3%, or 100% survivor option. Eligible survivors include your spouse or natural or legally adopted children.
- The **Life Annuity and Years Certain** pays you a monthly benefit for your lifetime. If you die before the designated Years Certain, your beneficiary will receive monthly payments for the rest of the Years Certain period. No further death benefits are payable if you live beyond the Years Certain period.

Each of the last three payment options reduces the amount of your monthly benefit from the full Life Annuity amount. The amount of the reduction is applied to the cost of funding the benefit for your beneficiary or survivor.

**Termination Prior to Retirement**

If you terminate City employment prior to being eligible for a monthly retirement benefit you may choose to:

- Receive a lump-sum distribution of the Employee Contributions plus interest, forfeiting all Credited Service accumulated under the plan; or
- Leave contributions and Credited Service in the plan and receive a monthly pension when you satisfy the age and service requirements for an unreduced or reduced retirement (if you are vested).

**Death Benefits**

Should you die before retirement, your beneficiary will receive a lump sum payment equal to the Employee Contributions that the City (and possibly you) has paid into the plan plus interest earned.

**Prior Service Purchase**

This plan does not have a provision that allows purchase of prior service credits.

**Disability Retirement**

An active vested employee who is eligible for Social Security disability benefits is eligible to receive a disability

benefit. The first benefit is payable no earlier than five months after disability onset. The amount of the benefit is the same as the unreduced retirement benefit computed using the formula on the date of the member's disability. Contact the Pension Division to discuss this benefit.

**Prudential Contact  
Information**

[Prudential Web Site](#) Toll Free Access: 1.877.PRU.2100 (1.877.778.2100)  
Interactive Voice Response service available 24 hours; retirement representatives available 8 am-9 pm ET Mon.-Fri.

## **457 Deferred Compensation Plan**

This is a voluntary benefit that allows you to save for retirement through payroll-deducted, pre-tax contributions to ICMA-RC, the plan's administrator. Earnings accumulate on a tax-deferred basis. You may find more detailed information about the plan on the [ICMA-RC web site](#). You may also speak to an Investor Services Representatives at 1.800.669.7400 from 8:30 a.m. – 9 p.m. Monday - Friday.-Friday. These representatives can answer questions on the plan, the investment funds as well as assist you with registering and using the web site.

**Eligibility**

You are eligible to contribute to this plan if you are a regular, full-time or a regular, part-time employee scheduled to work at least 50% time. You may join at any time while employed with the City.

**Contributions**

The minimum contribution is \$10 minimum per pay period. You may contribute any amount up to the annual maximum limit and you may change your contribution amount as often as you like. The annual maximum limit is set by the Internal Revenue Service and is subject to change each calendar year.

You may begin making Catch-up contributions in the year you turn age 50. You may also be eligible to make Pre-Retirement Catch-up contributions within three years of your full retirement date. Your full retirement date is the date you satisfy one of the following

- The date you are at least 65 years old, with at least five years of service or
- The date you are at least 50 years old, with at 30 years of Credited Service under VRS or the City Supplemental Retirement Plan.

**Vesting**

Your contributions plus interest are 100% vested.

**Distributions**

You may receive distributions when you:

- Retire;

- Leave City employment; or
- Have a small balance of \$5,000 or less and have not contributed for at least two years.

### **In-service Distributions**

The plan allows withdrawals for unforeseeable emergencies. An unforeseeable emergency is defined by the Internal Revenue Service as a severe financial hardship created by:

- A sudden and unexpected illness or accident to you or your dependents;
- Loss of, or damage to, your property due to an accident, disaster, destruction or theft; or
- Other similar, equally severe and unforeseeable circumstances beyond your control, which could include the imminent foreclosure of or eviction from your home, funeral expenses for a spouse or dependent, and lost wages.

You send a completed 457 Deferred Compensation Plan Emergency Withdrawal Form to the Pension Division for determination if your situation satisfies the requirements for an unforeseeable emergency. As part of the application you supply documentation that you have no other means to meet these expenses.

### **Mandatory Distributions**

You must begin receiving required minimum distributions in the April following the later of:

- The year you turn 70 ½ or
- The year you retire.

### **Death Benefits**

At your death, your designated beneficiary may be eligible to receive a lump-sum payment of your account balance, installment payments, or deferral of payments to a later date. A beneficiary who is a spouse is also eligible to rollover the account balance to an IRA.

### **Meetings with ICMA-RC Representative**

Gloria Moody is the City's ICMA-RC representative. You may call her at 1.866.328.4666 from 8:30 a.m. to 9 p.m. Monday-Friday. She typically arranges employee appointments on the first Wednesday of the month at City Hall., but she will meet with you at another location if you make arrangements in advance.