



**City of Roswell**

**Employee**

**Retirement Handbook for**

**GMA Defined Benefit Pension**

**Plan**

*This plan only covers those full time employees hired  
before March 1, 2011*

## YOUR RETIREMENT PLAN

Retirement appears to be far in the future to employees in their twenties, thirties, and even forties. However, those in their fifties and older realize how quickly time passes as the retirement years arrive. In short, a successful retirement requires advanced planning so that life will be pleasant and secure when retirement age does arrive.

Accordingly, the City of Roswell adopted a defined benefit retirement plan. This plan provides for payment of monthly benefits to you for life when you retire. The City manages the plan and invests plan funds through the Georgia Municipal Employees Benefit System (GMEBS). The Georgia Municipal Association (GMA) conducts most day-to-day administration of the plan for the City.

This plan was frozen as of March 1, 2011, therefore, full-time employees hired March 1, 2011 and after are enrolled in a Deferred Compensation Retirement Plan with ICMA.

The plan is designed to help you prepare now for financial security in later years. It supplements your Social Security benefits and personal savings by providing additional income in retirement. The income you receive from Social Security, the City's retirement plan, and your personal savings should provide an adequate income when you retire.

Please read this booklet and become familiar with the benefits afforded in the plan. Understanding how these benefits enrich your retirement can give you greater personal assurance. Give your family an opportunity to read about the plan, too.

### Important

The full terms and conditions of the plan are set forth in the plans text which will govern any issues which may arise concerning the plan and is available to view in Human Resources. Your entitlement to benefits is governed by the terms of the retirement plan text as adopted by the City. **This booklet is for information and illustration purposes only and is not a part of the City's retirement plan text.**

### **WHAT IS THE PURPOSE OF THE PLAN?**

The purpose of the City's retirement plan is to provide additional income to make it easier for you and your family to be secure and independent in your retirement years. The plan is designed for career employees to supplement Social Security and personal savings to provide adequate retirement income.

### **HOW MUCH DOES IT COST?**

It does not cost you anything. The City pays the entire cost of the plan for you.

### **HOW DOES THE PLAN BENEFIT ME?**

After you retire, the plan pays you a monthly retirement benefit for as long as you live. Your Normal Retirement Benefit is a percentage of your Final Average Earnings for each year of your Credited Service. Normal retirement age is 65 provided you have at least 5 years of service, or age 55 if you meet the Rule of 80 (Age + Years of Credited Service = at least 80). You may also elect for reduced retirement benefits if you are age 55 and have at least 10 years of Credited Service but do not meet the Rule of 80. Finally, the plan provides Death and Disability Benefits to qualified participants and Death Benefits to Terminated Vested participants.

## HOW ARE BENEFITS DETERMINED?

The amount of your benefit is based on four items:

1. **Credited Service.** Normally, your credited service is the total years and months that you have worked for the City.

2. **Final Average Earnings.** Your final average earnings are the average of your earnings for the period of 3 consecutive years in which they are highest. In most cases it will be your last 3 years of employment prior to retirement.

3. **Benefit Formula.** The benefit formula is a percentage that is multiplied by your final average earnings and your years and months of credited service to produce your annual normal retirement benefit. Your benefit formula is 2.00%

Your annual benefit is calculated as follows:

2.00% x your Final Average Earnings

x

Your years and months of Credited Service

4. **Age at Retirement.** Normal retirement age is 65 provided you have at least 5 years of Credited Service, or age 55 if you meet the Rule of 80 (Age + Years of Credited Service = 80). Early retirement is available between ages 55 and 65 provided you have at least 10 years of Credited Service. Hence, if you retire between the ages of 55 and 65 and do not meet the Rule of 80, your benefit will be somewhat reduced. The earlier you retire, the greater your benefit will be reduced. (The early retirement reduction factors are shown on page 10 of this handbook.)

## HOW ARE BENEFITS PAID?

Your retirement benefits are paid to you the first of each month for as long as you live. Retirement begins on the first day of the month after your last date of employment with the city. You can choose one of three ways to receive your benefits:

- A. **Option A (Lifetime Monthly Benefit for Retiree Only; No Survivor Benefit)**. If you choose this option, you get the maximum payment, the largest possible benefit, for as long as you live. However, payments stop when you die, and nobody else is entitled to further benefits.
  
- B. **Option B (Reduced Lifetime Benefit for Retiree (with Pop-Up feature); Lifetime Survivor Benefit)**. If you choose this option, you receive an actuarially reduced lifetime monthly retirement benefit, and your designated post-retirement beneficiary will receive a percentage of your retirement benefit (**100%, 75%, 50%, or 25%**) for as long as he or she lives after your death. You may designate any living person as your post-retirement beneficiary. You also select the percentage of your monthly benefit that you want your beneficiary to receive. Under this option, your lifetime monthly benefit amount will be actuarially reduced to take into account the fact that benefits will be paid over two lifetimes (yours and that of your beneficiary). The amount of the reduction in your monthly retirement benefit depends partly on the age difference between you and your beneficiary, and partly on the percentage you choose to leave to your beneficiary. Please note that, if your beneficiary predeceases you after you have begun receiving retirement benefits, then your retirement benefit will pop up or increase to what it would have been if you had elected Option A above (single life annuity).
  
- C. **Option C (Reduced Lifetime Monthly Benefit for Retiree; Survivor Benefit for Designated Period)**. This option provides an actuarially reduced lifetime monthly retirement benefit for you. In the event of your death within a certain period of time after your retirement (**you choose the period - 5, 10, 15, or 20 years**), your designated beneficiary will continue to receive the same monthly retirement benefit as you did. Payments to your beneficiary cease at the end of the designated period (i.e., they do not continue, even if your beneficiary lives beyond the designated period). The amount of the reduction in your monthly benefit depends on the length of the period you select. Please note that if you live beyond the designated period, your beneficiary will not receive a benefit. Also, if your designated beneficiary predeceases you, no survivor benefit will be payable and your benefit will not increase.

## DEATH BENEFITS

**As an Active Employee** -- Upon becoming a participant in the plan, you may name one primary and one secondary beneficiary to receive benefits in the event you die while employed by the City. Any relative or friend may be named as your beneficiary. If you die while employed by the City, your primary beneficiary will receive an immediate monthly lifetime benefit. If your primary beneficiary does not survive you by at least 32 days, your secondary beneficiary will receive an immediate monthly lifetime benefit. If the recipient beneficiary is your spouse, he or she may elect to defer receipt of the benefit until he or she reaches normal retirement age. The benefit amount depends on your age, credited service, salary, and your beneficiary's age. You may change your beneficiaries at any time by completing a new beneficiary designation form and returning it to Human Resources.

**As a Terminated Vested Employee** - If you terminate employment with a vested benefit and you die before you begin receiving retirement benefits, then a monthly terminated vested death benefit will be payable to your designated primary beneficiary (or your secondary beneficiary, if the primary beneficiary does not survive you by at least 32 days.)

**To designate a primary and secondary pre-retirement beneficiary, you must complete a beneficiary designation form. You may obtain a form from Human Resources. You may change your beneficiary designation at any time prior to retirement.**

## DISABILITY BENEFITS

Upon becoming a participant in the plan, you are entitled to disability retirement benefits if your employment terminates as a result of total and permanent disability, and you ***apply and qualify for Social Security disability benefits within one year from your termination date.***

The amount of the disability retirement benefit depends on your earnings and credited service up to the date your employment terminates due to disability, but cannot be less than 66-2/3% of your average monthly earnings from your last 12 months of employment less any benefits paid to you from Workers' Compensation, individual Social Security as a result of your disability, state compulsory disability plan, or group disability income plan sponsored by the City.

### **WHAT IF I LEAVE BEFORE I RETIRE?**

After gaining 5 years of credited service, you have a full vested benefit in the plan. The benefit you earned while working for the City is then held for you, or vested, until you are old enough to retire and receive a monthly benefit. You may apply for your benefit at any time after you qualify for retirement.

You can qualify for a vested benefit with less than 5 years of service with the City if you leave the City after participating in the plan and transfer to another GMEBS member employer. Then you are fully vested in the benefits you earned up to the time of your transfer, provided you remain employed by a GMEBS employer until your service with all GMEBS employers totals 5 years.

Under the portability rules of the plan, your prior credited service under the defined benefit plans of other GMEBS employers may be counted in determining whether you have satisfied the vesting requirement under this plan. Your future credited service under the defined benefit plans of other GMEBS employers may also be counted in determining whether you are vested under this plan. In order to qualify for portability vesting credit, you must have completed at least one year of continuous service under this plan. Please note that while credited service with other GMEBS employers may be taken into account for vesting purposes, it does not count in computing the amount of any benefit payable under this plan.

**EXAMPLES OF BENEFIT CALCULATIONS**

The following examples show how benefits are figured. You can also calculate an estimate of your own normal retirement benefit in the blanks on the right side of the worksheet on the following page.

**Example 1 - Option A**

**(Maximum Benefit with No Beneficiary)**

The following steps are necessary to calculate a monthly normal retirement benefit under the City's plan. Our sample participant has final average earnings of \$40,000, has 30 years and 0 months of credited service, and retires at age 65.

	<u>Sample Participant</u>
1. Final average earnings.	\$ <u>40,000.00</u>
2. Multiply line 1 by 2% (.02).	\$ <u>800.00</u>
3. Credited service (years and months).	<u>30.0</u>
4. Multiply line 2 by line 3 to find annual normal retirement benefit.	\$ <u>24,000.00</u>
5. Divide line 4 by 12 to determine monthly normal retirement benefit.	\$ <u>2,000.00</u>

The resulting amount will change if an optional form of payment is chosen or if early retirement taken. See the following examples.



**Example 2 - Option B**

**(Reduced Lifetime Benefit with Pop-Up Feature)**  
**at 100%**

If our participant decides to take Option B so that after his death 100% of his monthly benefit will continue to be paid to a beneficiary, he will receive a reduced benefit.

We reduce his benefit because his benefit must be spread out to cover the expected lifetimes of two persons instead of one. The amount of the reduction depends on the age difference between the retiree and the beneficiary, the younger the beneficiary, the greater the reduction.

If both are the same age, the reduced benefit is 83.3% of his \$2,000.00 normal retirement benefit. Our sample participant will receive \$1,666.00 each month as long as he lives, and at his death his beneficiary will receive 100% or \$1,666.00 each month for the rest of her life.

**Example 3 - Option B**

**(Reduced Lifetime Benefit with Pop-Up Feature)**  
**at 50%**

If our participant selects 50% of his monthly benefit to continue to be paid to a beneficiary, he will also receive a reduced benefit, but the reduction will not be as great as at the 100% level. The participant's benefit is larger than in Example 2, but the beneficiary's benefit is smaller.

If both are the same age, the participant gets 90.9% of his \$2,000.00 normal retirement benefit, or \$1,818.00 every month during his lifetime. His beneficiary gets 50% of this reduced benefit when he dies, or \$909.00 each month for the rest of her life.

**Example 4 - Early Retirement Benefit**

Early retirement is possible if a participant is between the ages of 55 and 65 and has at least 10 years of credited service even if the Rule of 80 is not met. A participant will have less credited service and undoubtedly lower final average earnings when he retires early, so his accrued benefit is lower than if he had worked until age 65. Then, because he is expected to receive more monthly payments than someone who retires at age 65, his accrued benefit is reduced to compensate for his longer life expectancy.

For example, suppose that our sample participant takes an early retirement at age 55 without meeting the Rule of 80. He takes the maximum payment for himself with no beneficiary (Option A). For simplicity, we will use the same final monthly retirement benefit of \$2,000.00. However, as stated earlier, an employee's final average earnings and credited service will actually be lower when he retires early.

We follow all the steps in Example 1 and then must apply an early retirement reduction factor. The Early Retirement Reduction Table below shows that a participant retiring at age 55 gets 70% of his accrued normal retirement benefit. 70% of \$2,000.00 yields a monthly benefit of \$1,400.00 starting at age 55 and continuing for the rest of his life.

**Early Retirement Reduction Table**

(To be used when calculating early retirement benefits)

Find the age at early retirement, and then look across to the percentage of the accrued normal retirement benefit that will be paid at that age.

<u>Retirement Age</u>	<u>Percentage of Your Normal Retirement Income</u>
65	100.0%
64	97.0%
63	94.0%
62	91.0%
61	88.0%
60	85.0%
59	82.0%
58	79.0%
57	76.0%
56	73.0%
55	70.0%