City of Jacksonville Retirement System

PENSION OFFICE

Pre-Retirement Presentation for the

GENERAL EMPLOYEES PENSION PLAN

Pension Office

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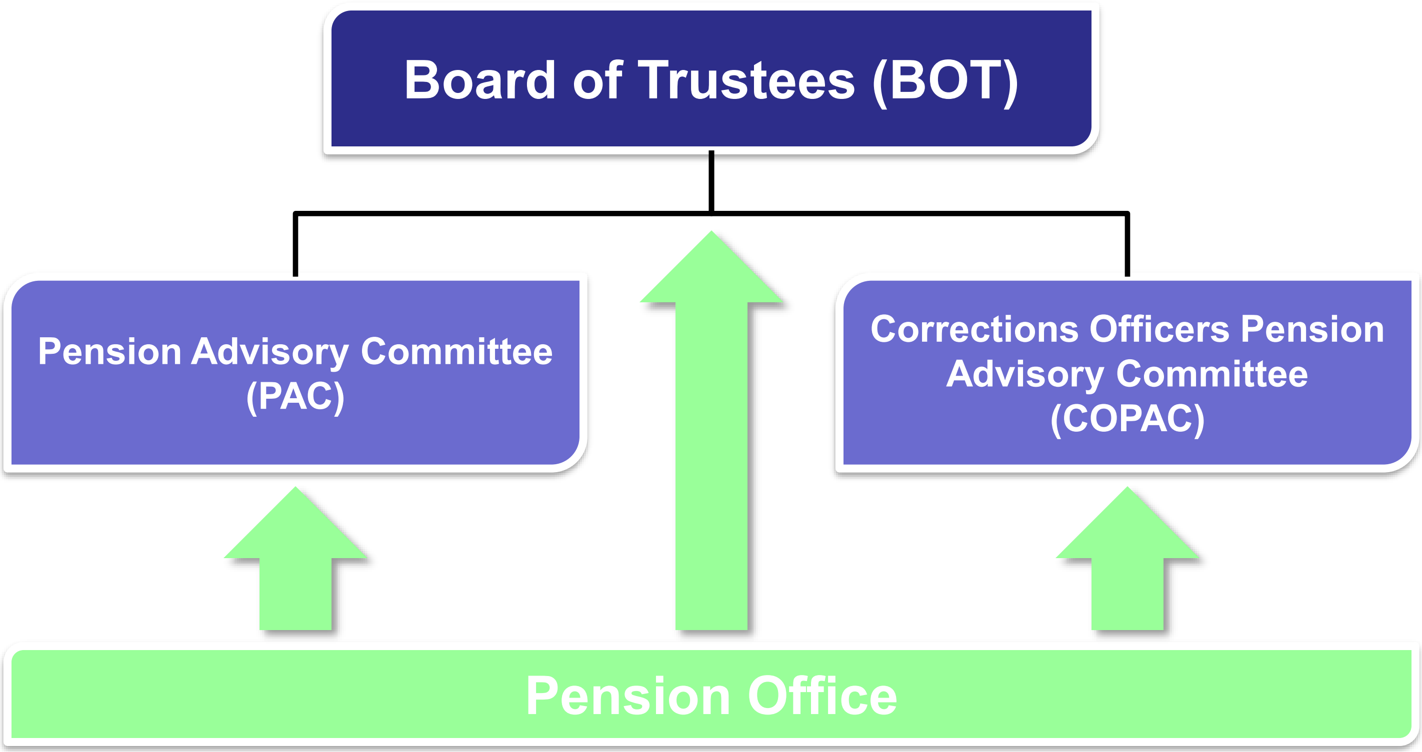
Portal: http://jaxpensionportal.coj.net

Please note

- The Plan is closed to new members as of October 2017 and all current members in the Plan are now vested.
- Information shared in this presentation is general in nature and intended to help you understand your General Employees Pension Plan (GEPP) benefits. This presentation does not cover all situations and all aspects of the Plan.
- Actual rules of the Plan and your individual circumstances must be considered to determine actual benefits

Pension Plan Administration



Common Services for Active Employees

- Answer questions about the General Employees Pension Plan
- <u>**ESTIMATES**</u> of benefit amounts based on projected retirement dates
- Requests for time service purchases
- Plan changes from defined benefit (Pension) to defined contribution (Empower 401a)
- Refunds of employee contributions

Defined Benefit vs. Defined Contribution

DEFINED BENEFIT

- Traditional Pension Plan
- General Employees Pension Plan is an example
- Provides eligible employees with guaranteed income for life when they retire
- Member’s contributions are pooled with that of other members to create the pension trust
- No individual accounts within the pension trust
- The City contributes a once-per-year contribution to the plan based on the entirety of the membership
- When it comes time to retire, the pension formula is used to determine each member’s entitled portion of the pension trust
- City’s responsibility to manage the investments of the pension trust
- City is responsible for the investment risk

DEFINED CONTRIBUTION

- Individual account funded by both the employee and the City or affiliated agency
- General Employees Defined Contribution 401(a) plan through Empower is an example
- Yearly contribution limits per IRS rules
- City’s contribution to the account becomes fully vested after five years of employment
- Employee’s responsibility to manage the investments within their account
- Employee is responsible for the investment risk
- City or affiliated agency has no obligation toward the individual account’s performance

General Employees Pension Plan

Basic Pension Benefit Components

- **CREDITED SERVICE:** Includes period of membership credit working for an eligible employer in which pension contributions have been made
- **COMPENSATION:** Pensionable compensation—certain exclusions apply
- **BENEFIT OPTIONS:** GEPP options available to you based on provisions of the Plan and your eligibility, circumstances and choices

Credited service is generally reduced for periods without full-time pay or for periods without full employee contributions.

Employee Contributions/Vesting

- All vested members of the Plan maintain permanent membership and receive a monthly pension benefit at a future date (Age 65)
- A member may rescind the permanent membership and receive a lump sum distribution of all his or her employee contributions only (without interest) up until 6 months before their retirement eligibility date (Age 65)

Normal Retirement Eligibility

- Age 55 with 20 years of service
- Age 65 with 5 years of service
- Any age with 30 years of service

Early Retirement Eligibility

- Age 50 with 20 years of service. Benefit percentage is reduced ½% for each month less than age 55
- Any age with 25 years of service at an accrual rate of 2%

Time Service Purchase

- Ability to gain credited service for employment time not previously credited
- Allows for earlier retirement or higher benefits
- Payment typically by qualified rollover or payroll deduction

Eligible Service

- Work for the City, JEA, JHA, NFTPO or other covered employers (and no employee contributions), up to 10 years
- Approved, unpaid leave (up to 6 months)
- Must have been a full-time employee, must be actively employed member
- Work covered by any other pension plan is **NOT** eligible

Cost to Purchase

(Current Regular Monthly Salary) X 10% (up to 10 years) X Months of service purchased

Military Service

- May purchase up to 2 years of active service
- Cost to purchase is 20% of base salary
- DD214 form required

Other

Time at certain outside agencies and time over 10 years may be purchased under certain circumstances, but the cost is generally much higher (actuarially rate)

How much will I get?

- **Final Monthly Compensation:** Uses an average of the highest 36 consecutive months (78 pay periods) of wages earned, including Service Raises, during the last 10 years of employment
- **Credited Service**: Total of years and whole months of membership in the plan plus the service purchases (unpaid leave time is excluded)
- **Accrual Rate**: The percentage multiplier used to determine the value of the years of service (2.5% for GEPP)

Formula for Calculating Benefits

Final Monthly Compensation

X

Whole Years and Months of Credited Service

X

2.5 % accrual rate

=

Monthly Benefit

In some circumstances, minimum and maximum benefits may apply based on plan provisions and IRS limits.

Benefit Determination

- Example:
  - Final Monthly Compensation = $4,500
  - 2.5% benefit per year of service
  - 20 years service
  - ($4,500) x (2.5% x 20)
  - Monthly base benefit = $2,250
- Currently paid bi-weekly

Regardless of performance of investments, your standard benefit will not vary

Retiree Supplement

- Paid upon retirement
- Based on $5 per month for each full year of service
- Maximum of $150 per month
- Paid only 2 times per month (first 2 payments of the month)

Forms of Payment

- Regular Pension
  - Base benefit + Supplement
- Partial Lump-sum Option (PLOP)
  - Reduces monthly benefit
- BACKDROP
  - Must have over 30 years of service
- Defined Benefit to Defined Contribution transfer
  - GEPP only, must elect before retirement while actively employed

Partial Lump Sum Option (PLOP)

- With this option, a retiree may choose to receive 5%, 10% or 15% of the actuarial equivalent value of their monthly benefit (not including the supplement) as a lump sum payment
- Monthly benefit is REDUCED and remaining amount is paid in the usual manner
- The lump sum payment can be paid directly to you (less 20% tax withheld) or rolled over to a qualified plan with a deferred tax payment if eligible
- The lump sum check will be paid on a separate check issued by the Pension Office upon retirement. The check is sent out typically as soon as practical after retirement.

Once PLOP is elected, the decision is irrevocable

BACKDROP

- Must have attained at least 30 years of pensionable service
- Allows for calculation of base pension at a date prior to leaving the City
- Backdrop benefits accumulate at the base benefit plus interest for up to a maximum of 5 years
- Interest credited to the balance can range between -4% and 4% annually
- No supplemental pay is used in the calculation
- At actual termination, the employee will receive the balance, which may be rolled into a qualified retirement plan tax-deferred if eligible, or paid in a lump sum with 20% withheld for taxes
- Backdrop option elected at time of retirement appointment (or just prior)

Once Backdrop is elected, the decision is irrevocable

Defined Benefit to Defined Contribution Transfer

- **<u>Must elect prior to leaving employment. Benefit valued based on last day worked with pay deductions into DB Plan.</u>**
- **Members that transfer give up <u>ALL</u> future GEPP benefits**
- Funds are transferred to an Empower 401(a) account
- Calculation based on value of vested benefit using DOB, marital status, spouse DOB, and plan interest rate to determine full actuarial benefit (employee contributions are the minimum value)
- Option should be exercised with caution
- Can be done **before** retirement eligibility

Getting Ready to Retire

- Allow 6-8 weeks for processing ideally (Employees should communicate separately with their employer); request estimate if needed, staff available to review options
- **What you need to provide: Final day of employment, retirement election (Pension, PLOP→5%, 10% or 15%, or BACKDROP—must have over 30 years)**
- **If eligible, your retirement date is the day after your last day of employment**
- Keep in mind initial figures are estimates subject to final pay and verification
- Consider payment of leave time prior to departure
- Contact the Pension Office to get started
  - Information that may be needed: ID/Proofs of DOB, Changes in direct deposit information, Proof of marriage, W-4P elections, Account details for rollover payments
  - Appointments available to review options as well.

Getting Ready to Retire (cont.)

- Pension Office provides: retirement application, direct deposit form, W4P (tax election), Lump Sum Form (for PLOP and BACKDROP), retiree checklist
- Employee returns signed application and forms
- Final calculation/review completed once all data is available
- First pension payment happens after final pay and termination is verified—typically not sooner than 1-2 pay-periods after your last active pay
- Pay starts from retirement date--First payment will likely include some “retro pay”
- Ongoing pension payments will be direct deposited
- Lump sums (PLOP and BACKDROP) are paid as physical checks

Retiree COLA

- Must pass September 30th five times after retirement date to receive the cost-of-living adjustment
- Paid each year on first full pay period in April for GEPP
- Fixed increase of 3%
- Applies to base benefit only
- Re-retiring after re-employment will re-start COLA wait period if you rejoined the Plan

Employment after Retirement

- Working full or part-time for any outside employer will have **<u>no effect</u>** on your GEPP pension benefit
- You can work part-time for the City or affiliated agency (no more than 25 hours/week) with **<u>no effect</u>** on your GEPP pension benefit. Notify the Pension Office.
- Any full-time employment with the City or affiliated agency **<u>will stop</u>** your pension. Notify the Pension Office.
- If you took a BACKDROP or PLOP, those elections are irrevocable
- Retirees taking full-time position may be eligible for DC (or possibly DB if they did not take any lump-sum). Special rules apply for recalculation of benefits. Please contact the Pension Office with any questions.

Death of a Retired Member

Provides a benefit for :

- Eligible Spouse – receives 75% of retiree's pension (married for at least 1 year and living together). Spousal benefit paid until death of survivor
- Full supplement amount and 75% of the accrued COLA
- Potential increase for children under 18
- If there is no surviving spouse or minor children, any remaining employee contributions are paid to the member's estate. No other beneficiaries are permitted.

Death of an Active Member

- Eligible Spouse – receives 75% of the amount the member would have received had the employee retired with time service pension based on 2% annual accrual rate
- Spousal benefit paid until death of the survivor
- Benefits available for minor surviving children as well
- If there is no surviving spouse or minor children, any remaining employee contributions are paid to the member's estate. No other beneficiaries are permitted.

Death of an Active Member (continued)

Other potential benefits

- Unmarried children under the age of 18: Spousal benefit increase (potentially 10%), No spousal benefit ($300/month until 18), Orphan benefit (Spousal benefit until 18)
- Parent solely dependent on member for support
- Disabled children under age 18 (benefits may continue past age 18 under certain circumstances)
- Benefits are subject to limits and may be prorated

Please note, other conditions may apply based on circumstances. Available death benefits cannot exceed certain maximums.

Disability Retirement

- Member must be permanently and totally incapacitated from regular and continuous duty as an employee
- Application must be completed while still employed
- Medical release and right to examination by City Medical Review Officer and potentially others required
- Disability retirement is also available under the Defined Contribution plan if you take a DB to DC transfer
- Cases reviewed for denial or approval by PAC or DCPAC and Board of Trustees or DCDSP
- Service related (50%) vs. Non-service related (25% at 5 years up to 50% at 15 years)
- All cases subject to ongoing review

Disability application process is extensive and takes time to complete.

Helpful Information

- Contact the Benefits Office regarding benefit elections and deductions
- www.ssa.gov
- www.municode.com Jacksonville, FL Ch.120
- www.jacksonville.gov/departments/finance/retirement system
- http://jaxpensionportal.coj.net

The information provided here is not specific to your individual circumstances. We recommend consulting a financial and tax advisor when considering your retirement options.