

# **City of Fort Valley**

## **Retirement Handbook**

## YOUR RETIREMENT PLAN

Retirement appears to be far in the future to employees in their twenties, thirties, and even forties. Those in their fifties and later realize how quickly time passes and the retirement years arrive. A successful retirement requires advance planning, starting in the early years, so that life after retirement will be pleasant and secure.

Accordingly, the City of Fort Valley has adopted a retirement plan. The plan provides for the payment of monthly benefits to you for life after retirement. The City manages the plan and plan funds are invested through the Georgia Municipal Employees Benefit System (GMEBS). Day-to-day administration of the plan is handled by the Georgia Municipal Association (GMA).

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

You should 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 security. 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 plan text available for your inspection in the office of your Pension Committee Secretary. The full text will control in deciding any questions that may arise concerning the plan. Your entitlement to benefits is governed by the terms of the retirement plan adopted by the City. This booklet is for information and illustration only and is not a part of the City's retirement plan.

The effective date of the plan is October 1, 1974. This booklet includes plan provisions that were in effect as of March 1, 2003.



### WHAT IS THE PURPOSE OF THE PLAN?

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

### WHO MAY JOIN?

Regular, full-time employees who work at least 30 hours per week on a regular basis for the City may participate in the plan when they have completed one year of continuous service. Participation in the plan always begins on the first day of a month. If you complete one year of service on the first day of a month, you are eligible to participate that same day. If you complete one year of service after the first of a month, you can join on the first day of the next month.

### WHAT DOES IT COST ME?

You don't pay anything. The City pays the entire cost of the plan.

### HOW DOES THE PLAN BENEFIT ME?

After you retire, the plan pays you a monthly retirement benefit for as long as you live in most cases. Your normal retirement benefit is a percentage of your final average earnings for each year of credited service. Normal retirement age is 65 provided you have at least 5 years of service, but there are also provisions for earlier retirement.

In addition, the plan offers death benefits, disability retirement benefits, and vested benefits to qualified participants.



## HOW ARE BENEFITS PAID?

Your retirement benefits are paid to you each month. Retirement is on the first day of a month. Your first check will be sent to you on the last day of that month. Future checks will also be sent to you on the last day of each month. You can choose one of the following five payment options to receive your benefits:

**A. Lifetime Monthly Benefit for Retiree Only; No Survivor Benefit.** You receive the maximum monthly benefit amount for as long as you live. At your death, payments stop, and nobody else is entitled to further benefits.

**B. Reduced Lifetime Monthly Benefit for Retiree; Lifetime Survivor Benefit.** Your benefit is an actuarially reduced lifetime monthly benefit, and at your death your beneficiary receives 100%, 75%, 50%, or 25% of your monthly benefit for the rest of his or her life. Your benefit is reduced to take into account the fact that benefits will be paid over two lifetimes. Any relative or friend may be named as your beneficiary. You select the percentage you want your beneficiary to receive when you retire. The reduction depends partly on the age difference between you and your beneficiary and partly on the percentage you choose to leave to your beneficiary. *(If your beneficiary predeceases you after you have begun receiving retirement benefits, your retirement benefit will not increase and you will not be able to name another beneficiary.)*

**C. Reduced Lifetime Monthly Benefit for Retiree; Lifetime Survivor Benefit with Pop-Up.** This option is similar to Option B above. However, this option provides that in the event your designated beneficiary predeceases you after you have begun to receive benefit payments, your monthly benefit will "pop up" or increase to what it would have been if you had elected Option A above. *(If you elect this option your monthly retirement benefit will be slightly less than what you would receive under Option B, to account for the actuarial cost of the "pop up" feature.)*

**D. Reduced Lifetime Monthly Benefit for Retiree; Survivor Benefit for Designated Period.** This option provides an actuarially reduced lifetime monthly benefit for you. In the event of your death within a certain period of time after retirement (you choose the period - 5, 10, 15, or 20 years), your designated beneficiary will receive the same monthly benefit you did, but only for the remainder of the period you select. The amount of the reduction in your monthly benefit only depends on the length of the period you select. Any relative or friend may be named as your

beneficiary. This option can be useful if your beneficiary is a dependent child who may need an income for only a limited number of years if you should die before the child grows up. (If you live beyond the designated period, your beneficiary will not receive a benefit. Also, if your beneficiary predeceases you, no survivor benefit will be payable and your benefit will not increase.)

**E. Increased Monthly Benefit Until Age 62; Reduced Monthly Benefit Thereafter (Social Security Offset).** This option is only available if you are under age 62. It is designed to provide you with a relatively equal retirement income both before and after you begin receiving Social Security benefits at age 62. With this option you can receive an increased monthly benefit from the City's plan at early retirement until you become old enough for Social Security benefits (age 62), and a reduced monthly benefit afterwards. At age 62, your monthly retirement benefit from the City's plan will be reduced (offset) by the amount of your estimated Social Security benefit (determined as of your retirement date). **Thus, the amount of your monthly retirement benefit from the City's plan will decrease significantly after age 62.** For some participants, the monthly retirement benefit from the City's plan may be reduced to zero at age 62. In order to calculate benefits under this option, you must first obtain a statement from Social Security that shows the amount that you will be receiving from Social Security at age 62. Please note that you may receive lower Social Security benefits if you do not work and make Social Security contributions to age 62. Under this option you cannot name a beneficiary to receive benefits after your death. **(This option is not recommended for most participants, since in many cases it will not provide a sufficient lifetime retirement income.)**

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

After you have 10 years of credited service, you have a full vested benefit in the plan. The benefit you earned while you were working is then held for you, or vested, until you qualify for retirement and draw your monthly benefits. You also have a full vested benefit in the plan if you are working for the City at age 65 and have at least 5 years of credited service.

You may qualify for a vested benefit with less than 10 years of service with the City if you leave the City after participating in the plan and go to work for another GMEBS member employer. You may become fully vested in the benefits you earned up to the time of your termination with the City, provided you remain employed by a GMEBS employer until your service with all GMEBS employers totals 10 years.

## DEATH BENEFITS

**As an Active Employee** -- When you apply for participation in the plan, you may name one person as your primary beneficiary and one person as your secondary beneficiary. Any relative or friend may be named as a beneficiary. If you die while you are employed by the City, your primary beneficiary will receive an immediate monthly lifetime benefit. If you have named a secondary beneficiary and your primary beneficiary does not survive you by at least 32 days, your secondary beneficiary will receive the monthly lifetime benefit. The amount depends on your age, salary, your beneficiary's age, and your credited service, plus half of the time from your date of death to age 65 (up to 10 additional years).

If you die before becoming eligible to participate in the plan, no benefits are paid. If you don't name a beneficiary when you are eligible to do so, or if a designated primary or secondary beneficiary does not survive you by at least 32 days, then an immediate monthly lifetime death benefit will be paid to your default beneficiary. Your default beneficiary is (in the following order): your spouse, or if there is no surviving spouse, your child or children under age 22, or if there is no surviving child, your parent or parents. If there is no primary, secondary, or default beneficiary, then the actuarial equivalent of your vested accrued benefit shall be paid in a lump sum to your estate.

**As a Terminated Vested Employee** - If you are vested under the plan, your primary, secondary, or default beneficiary is eligible for a monthly lifetime benefit if you die after you terminate employment but have not yet qualified and applied for retirement benefits. If you die prior to retirement, your eligible beneficiary will receive an immediate monthly lifetime benefit, or the benefit may be deferred to a future date if the eligible beneficiary is your spouse.

You may change a beneficiary any time prior to retirement by completing and submitting a change of beneficiary form to your Pension Committee Secretary.

**As a Retiree** -- Death benefits after retirement depend on which form of payment you choose when you retire. If you choose Option B, Option C, or Option D at retirement, your designated beneficiary will receive benefits after your death based on the option selected. If you choose Option A or Option E, you cannot name a beneficiary.

## DISABILITY BENEFITS

You are entitled to disability retirement benefits from the City's plan provided you are a participant in the plan, 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. If you lack the quarters of Social Security coverage to qualify for Social Security disability benefits, you can qualify for disability retirement benefits from the City's plan if the City's Pension Committee determines you are permanently disabled on the basis of a certificate signed by a physician that states you are permanently and totally disabled. Disability retirement benefits are paid as long as you live, assuming that you remain disabled for life. Verification of the continuance of your disability may be required each year. You may select either Option A, Option B, Option C, or Option D.

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 it is never less than 66-2/3% of your average monthly earnings from your last 12 months of employment less any benefits paid from Workers' Compensation, individual Social Security as a result of disability, state compulsory disability plans, and any group disability income plan sponsored by the City. There is no reduction for age even though disability retirement may occur before your normal retirement date.

## 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 Lifetime Benefit with No Survivor Benefit)

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 \$20,000, has 25 years and 0 months of credited service, and was born in 1938.

	<u>Sample Participant</u>	<u>You</u>
1. Final average earnings.	\$ <u>20,000.00</u>	\$ _____
2. Covered Compensation amount (see Table on page 8).	\$ <u>7,656.00</u>	\$ _____
3. Subtract line 2 from line 1.	\$ <u>12,344.00</u>	\$ _____
4. Multiply line 2 by 1% (.01).	\$ <u>76.56</u>	\$ _____
5. Multiply line 3 by 1.75% (.0175).	\$ <u>216.02</u>	\$ _____
6. Add lines 4 and 5.	\$ <u>292.58</u>	\$ _____
7. Credited service (years and months).	<u>25,0</u>	_____
8. Multiply line 6 by line 7 to find annual normal retirement benefit.	\$ <u>7,314.50</u>	\$ _____
9. Divide line 8 by 12 to find monthly normal retirement benefit.	\$ <u>609.54</u>	\$ _____

Remember, the resulting amount will change if a different option is chosen or if retirement is before your normal retirement date. Remember also to count Social Security benefits and your personal savings when estimating total retirement income.

Covered Compensation Table

(To be used when calculating retirement benefits)

Find your year of birth, then look across to the right to the Covered Compensation Amount that will be used to calculate your retirement benefits.

<u>Year of Birth</u>	<u>Covered Compensation Amount</u>	<u>Year of Birth</u>	<u>Covered Compensation Amount</u>
1903 & before	\$4,944	1923	\$6,720
1904	5,160	1924	6,756
1905	5,352	1925	6,792
1906	5,520	1926	6,816
1907	5,652	1927	6,840
1908	5,784	1928	6,864
1909	5,892	1929	6,900
1910	6,000	1930	6,984
1911	6,084	1931	7,080
1912	6,168	1932	7,176
1913	6,240	1933	7,260
1914	6,312	1934	7,332
1915	6,372	1935	7,416
1916	6,432	1936	7,500
1917	6,480	1937	7,572
1918	6,528	1938	7,656
1919	6,576	1939	7,728
1920	6,612	1940	7,764
1921	6,660	1941 & later	7,800
1922	6,696		

**Example 2 - Option B**

**(Reduced Lifetime Benefit; Lifetime Survivor Benefit)**  
**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 surviving beneficiary, he will receive a reduced benefit. If both are the same age, the reduced benefit is **83.3%** of his \$609.54 normal retirement benefit. Our sample participant will receive \$507.75 each month as long as he lives, and at his death his beneficiary will receive 100% or \$507.75 each month for the rest of her life.

**Example 3 - Option B**

**(Reduced Lifetime Benefit; Lifetime Survivor Benefit)**  
**at 50%**

If our participant selects 50% of his monthly benefit to continue to be paid to a surviving 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 \$609.54 normal retirement benefit, or \$554.07 every month during his lifetime. His surviving beneficiary gets 50% of his benefit when he dies, or \$277.04 each month for the rest of her life.

**Example 4 - Option C**

**(Reduced Lifetime Benefit; Lifetime Survivor Benefit)**  
**with Pop-Up)**

If our participant selects this option, his benefit will be slightly less than under Option B above. However, in the event the designated beneficiary predeceases the retiree, the retiree's monthly benefit will "pop up" or increase to what it would have been had the retiree elected Option A above.

If both are the same age, at the 100% level, the participant gets **80.0%** of his \$609.54 normal retirement benefit, or \$487.63 every month during his lifetime. His surviving beneficiary will receive 100% or \$487.63 each month for the rest of her life.

If both are the same age, at the 50% level, the participant gets **88.9%** of his \$609.54 normal retirement benefit, or \$541.88 every month during his lifetime. His surviving beneficiary will receive 50% or \$270.94 each month for the rest of her life.

**Example 5 - Option D**

**(Reduced Lifetime Benefit; Survivor Benefit for Limited Period)  
at 10 Years**

We start at Example 1 again with the same participant retiring at normal retirement. Instead of the maximum payment, he chooses this option that also provides a reduced benefit during his lifetime. If he dies within 10 years after retirement, his surviving beneficiary gets his payments for the remainder of that 10-year period. If he dies more than 10 years after retirement, his beneficiary gets nothing.

The reduction for this option depends only on the length of the period selected. The benefit is usually higher than for Option B or Option C, but remember that although payments are guaranteed to the retiree for as long as he lives, they are only paid to the surviving beneficiary for a limited period.

The retiree in this example will receive **91.1%** of his normal retirement benefit of \$609.54, or \$555.29 each month for as long as he lives. If he dies within 10 years after retiring, his surviving beneficiary gets \$555.29 each month until 10 years from the date the participant retired. Then payments to the beneficiary stop.

**Example 6 - Option E**

**(Increased Benefit to Age 62; Reduced Benefit after Age 62)**

If our participant chooses to retire before age 62, he may select this option. A participant may retire as early as age 55, provided he has at least 10 years of service. Under this option you cannot name a beneficiary to receive benefits after your death. As shown in the following Example 7 (Early Retirement Benefit), if our participant retires at age 55 under Option A, he will receive \$426.68 per month. However, if he chooses this option, he can receive a higher benefit from the City's plan from age 55 to age 62, but a reduced benefit from the City's plan after age 62.

If our participant receives an estimate from Social Security indicating that he will receive \$650.00 per month from Social Security at age 62, he will receive \$733.64 per month from the City's plan at age 55 to age 62 (or \$306.96 more per month). However, at age 62, when he will receive \$650.00 per month from Social Security, his monthly benefit from the City's plan will reduce to \$83.64. Therefore, he will receive \$733.64 per month (from the City's plan) beginning at age 55, and \$733.64 per month (from the City's plan + Social Security) beginning at age 62 and continuing for the rest of his life.

### Example 7 - Early Retirement Benefit

Early retirement is possible if a participant is between ages 55 and 65 and has at least 10 years of service. A participant will have less 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. That's why early retirement benefits are lower than normal retirement benefits.

Say that our participant takes early retirement at age 55. He is taking the maximum payment with no beneficiary (Option A). For simplicity, we will use the same final average earnings and years of service for this example as we used in Example 1. But as stated earlier, an employee's final average earnings and 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. His accrued normal retirement benefit was \$609.54 per month. However, to find the amount he can draw at age 55, we must multiply the accrued benefit by the early retirement reduction factor for age 55. The Early Retirement Reduction Table below shows that a participant retiring at age 55 gets 70% of his accrued normal retirement benefit. 70% of \$609.54 yields a monthly benefit of \$426.68 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, then look across to the right 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 Benefit</u>	<u>Retirement Age</u>	<u>Percentage of Your Normal Retirement Benefit</u>
65	100%	59	82%
64	97%	58	79%
63	94%	57	76%
62	91%	56	73%
61	88%	55	70%
60	85%		

## GENERAL INFORMATION

### How Can I Sign Up?

An Application for Participation in the plan is available from the City's Pension Committee Secretary after you have completed one year of employment. You don't need to take a physical examination.

### Where Can I Get More Information?

Your Pension Committee Secretary will be glad to answer any questions that may occur to you after you have read this booklet. The pension committee is responsible for administration of the plan and will handle all questions between the City and its employees in any matters regarding the plan.

### Reinstatement of Terminated Employees

If you were a participant in the City's retirement plan and your employment terminated, and you are rehired less than a year after leaving, you can resume participation in the plan when you return. Your previous service will be credited upon your return.

If, after being a participant, you leave and are rehired more than a year later, you will have to wait another year to re-participate in the retirement plan. Your previous service will be credited upon your re-participation in the plan.

After an authorized leave of absence, you can also resume participation when you return to work and immediately receive credit for your previous service provided you follow the rules of the leave of absence that you were granted.

### Employment After Retirement

Your retirement income will continue just the same if you take a part-time or full-time job with another employer after retiring from the City.

### You Can't Borrow or Pledge Money from the Fund

The purpose of the retirement plan is to ensure that participants will receive the intended rate of income upon retirement. Therefore, the State of Georgia statute creating GMEBS contains provisions to prevent the sale, assignment, pledge, or attachment of benefits.

### Social Security and Your Retirement Benefits

Your benefits from the City's retirement plan are entirely over and above anything you or your family may receive in Social Security benefits. For employees whose year of birth is before or through 1937, full benefits from Social Security are payable at age 65. If you were born in 1938, full benefits from Social Security are payable at age 65 and 2 months, in 1939 at age 65 and 4 months, in 1940 at age 65 and 6 months, in 1941 at age 65 and 8 months, in 1942 at age 65 and 10 months, in 1943 through 1954 at age 66, in 1955 at age 66 and 2 months, in 1956 at age 66 and 4 months, in 1957 at age 66 and 6 months, in 1958 at age 66 and 8 months, in 1959 at age 66 and 10 months, and in 1960 and later at age 67. You can start receiving reduced Social Security benefits as early as age 62.

Following is a chart that indicates the approximate percentages of pre-retirement income a career employee can receive from the City's retirement plan and Social Security. The City's retirement plan is designed to provide career employees an adequate retirement income when coupled with Social Security benefits.

**APPROXIMATE PERCENTAGES OF PRE-RETIREMENT INCOME**  
**FROM THE CITY'S PLAN AND SOCIAL SECURITY**  
**AT NORMAL RETIREMENT AGE**

<u>Earnings</u>	<u>Estimated Retirement Benefit from City's Plan*</u>	<u>Estimated Retirement Benefit from Social Security**</u>	<u>Estimated Total Retirement Benefit</u>
\$10,000	29.4%	51.0%	80.4%
\$15,000	34.2%	43.0%	77.2%
\$20,000	36.6%	39.0%	75.6%
\$25,000	38.0%	36.0%	74.0%
\$30,000	39.0%	35.0%	74.0%
\$35,000	39.6%	31.0%	70.6%
\$40,000	40.2%	27.0%	67.2%
\$45,000	40.6%	25.0%	65.6%
\$50,000	40.9%	23.0%	63.9%

\*Assumes 25 years of credited service, with year of birth of 1938.

\*\*Assumes continuous Social Security coverage from age 22 to Social Security normal retirement age.