

City of Garden City

Employee

Retirement Handbook

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. Hence, a successful retirement usually requires advanced planning so that life will be pleasant and secure when the time arrives.

Accordingly, the City of Garden City has adopted a defined benefit retirement plan. This plan provides for payment of monthly benefits to you for life after you retire. The City manages the plan and invests plan assets through the Georgia Municipal Employees Benefit System (GMEBS). The City also engages Georgia Municipal Association (GMA) to conduct day-to-day administration of the plan.

This plan is designed to help you prepare 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 this retirement plan, Social Security, and your personal savings should provide adequate income for you during your retirement years.

Please read this booklet and become familiar with the benefits afforded in the plan. Understanding how these benefits enrich your retirement can give you and your family greater personal assurance.

Important

The full terms and conditions of the plan are set forth in the plan's text which is available for inspection in the office of your Pension Committee Secretary. The plan text will govern any issues which may arise concerning the plan. Your entitlement to benefits is dictated 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.**

The effective date of this plan is January 1, 1973. This booklet includes plan provisions that were in effect as of March 20, 2017.

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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.

Participation in the Plan

Regular, full-time employees who work at least 30 hours per week on a regular basis are eligible to participate in the Plan. Participation in the Plan is considered mandatory for all eligible employees.

HOW MUCH DOES IT COST?

All eligible employees hired after March 1, 2016 will contribute 2.5% of their income annually. The employee contribution is deducted each pay period before tax. If you separate from employment with the City before completing 5 years of service, you can apply for all your contributions to be refunded to you with any applicable interest. However, if you take your contributions from the plan and you are re-employed with the City, you would have to pay back to the plan the contributions to receive a full retirement benefit from 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. Your normal retirement benefit is a percentage of your final average earnings for each year of credited service you have earned. Normal retirement age is 65 provided you have at least 5 years of credited service. In addition, the Plan has been updated to include an Alternative Normal Retirement at age 55 provided you have completed 20 years of credited service. There is also a provision for an early reduced retirement benefit for employees who are at least age 55 and have at least 10 years of credited service.

In addition, the plan provides disability benefits and death benefits for qualified participants.

HOW ARE BENEFITS DETERMINED?

The amount of your benefit is based on four items:

1. **Credited Service**. Normally, your credited service will be the total years and months that you have worked for the City. Vested employees may also convert up to 6 month of unused sick Leave or Paid Critical Leave into additional credited service at a rate of 20 days of leave equals 1 month of additional credited service. This additional credited service may be used for benefit computation purposes and for purposes of meeting the minimum service requirements for benefit eligibility.
2. **Final Average Earnings**. Your final average earnings are the average of your earnings for the period of 5 consecutive years in which they are highest. In most cases it will be your last 5 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 annual benefit is calculated as follows:
$$\frac{2.00\% \times \text{your Final Average Earnings}}{\text{Your years and months of Credited Service}}$$
4. **Age at Retirement**. Normal retirement age is 65 provided you have at least 5 years of credited service. Alternative Normal Retirement age is 55 provided you have at least 20 years of service. An early, reduced retirement benefit is available between ages 55 and 65 provided you have at least 10 years of credited service. If you retire under the early retirement provision, your benefit will be reduced to compensate for your longer life expectancy after retirement. The earlier you retire, the lower your benefit. (The early retirement reduction factors are shown on page 7 of this handbook.)

HOW ARE BENEFITS PAID?

Your retirement benefits are paid to you each month for as long as you live. Retirement begins on the first day of a month. Your first retirement benefit will be paid to you on the first business day of that month, and all future retirement benefits will be paid to you on the first business day of each month. You can choose one of three ways to receive your benefits:

A. Option A (Lifetime Monthly Benefit for Retiree Only; No Survivor Benefit). Lifetime Monthly Benefit for Retiree Only; No Lifetime Monthly Survivor Benefit. Under this option, you will receive the maximum lifetime monthly retirement benefit amount (i.e., no actuarial reduction is applied). The benefit is paid to you every month for as long as you live. **However, no monthly lifetime survivor benefit will be payable after your death.** You may not designate a beneficiary to receive a monthly lifetime survivor benefit after you die. When you die, monthly retirement benefit payments stop and no further monthly benefits are payable to any beneficiary or your estate. Note that if you die before 36 months of retirement payments have been paid to you, a lump sum death benefit equal to 36 months of your initial monthly retirement benefits minus any retirement benefits paid to you will be payable to your surviving spouse If: 1) you are married at the time of your death, 2) your spouse survives you by at least 32 days; and 3) your spouse submits to GMEBS proof of marriage within 6 months after your death. If you do not have a spouse at the time of your death, or if your spouse does not survive you by at least 32 days, or if your spouse does not provide proof of marriage within 6 months after your death, then the lump sum amount will be paid to your estate.

B. Option B Reduces Lifetime Monthly Benefit for Retiree with Pop-Up feature); Lifetime Survivor Benefit. If you choose this option, you will receive an actuarially reduced lifetime monthly retirement benefit, and upon your death your designated beneficiary will receive a monthly benefit equal to a percentage of your monthly retirement benefit for as long as he or she lives after your death. You may designate any living person as your beneficiary. You select the percentage of your monthly benefit (100, 75, 50, or 25) that you want your beneficiary to receive for as long as he or she lives after your death. 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 after your death). The amount of the reduction in your monthly retirement benefit depends on the age difference between you and your beneficiary, and on the percentage you choose to leave to your beneficiary. In the event that 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 (single life annuity), provided you submit to GMEBS proof of the beneficiary's death. If your designated beneficiary is your spouse at the time of your retirement, and if you become legally divorced from your designated beneficiary following retirement, then you are permitted but not required to request a pop-up following divorce. You must submit sufficient proof of your divorce with your application for the pop-up. GMEBS may deny an application for pop-up following divorce if it determines that denial is warranted based upon the terms of the divorce decree or other factors. If your application for pop-up following divorce is approved, then your monthly benefit will "pop up" or increase to what it would have been if you had elected Option A above (single life annuity), and your former spouse will no

longer be eligible to receive any survivor benefit following your death. **Please note** that you cannot change your beneficiary after retirement. The pop-up provision does not allow you to name a new beneficiary if your beneficiary predeceases you or if you become divorced from your beneficiary.

C. Reduced Lifetime Monthly Benefit for Retiree; Survivor Benefit for Designated Period.

This option provides an actuarially reduced lifetime monthly retirement benefit for you (you choose the period - 5, 10, 15, or 20 years). In the event of your death within a certain period of time after retirement, your designated beneficiary will continue to receive the same monthly retirement benefit that you did, if the beneficiary is living at your death. 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, you cannot change your beneficiary after your retirement date. If your designated beneficiary predeceases you, no survivor benefit will be payable and your benefit will not increase.

DEATH BENEFITS

As an Active Employee - After you have 5 years of credited service, your primary beneficiary will receive an immediate monthly lifetime benefit if you die while you are employed by the City. If your beneficiary is your spouse, he or she may elect to wait until they retire to begin receiving the benefit.

If your primary beneficiary does not survive you by at least 32 days, your secondary beneficiary will receive the benefit. This benefit would be equal to the decreased monthly retirement benefit that would have otherwise been payable to you as a 100% joint and survivor benefit.

To designate a primary and secondary pre-retirement beneficiary, you must complete a beneficiary designation form. You may obtain a form from your Pension Committee Secretary. You may change your beneficiary designation at any time prior to retirement by completing a new beneficiary designation form and returning it to your Pension Committee Secretary.

If you die before gaining 5 years of credited service no benefits are paid.

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). This benefit is equal to the decreased monthly retirement benefit that would have otherwise been payable to you if you had elected a 100% joint and survivor benefit.

To designate a primary and secondary pre-retirement beneficiary, you must complete a beneficiary designation form. You may obtain a form from your Pension Committee Secretary. You may change your beneficiary designation at any time prior to retirement by completing a new beneficiary designation form and returning it 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, or Option C at retirement, your designated beneficiary should receive benefits after your death based on the plan selected. If you choose Option A, you cannot name a beneficiary.

DISABILITY BENEFITS

You may be 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. Disability benefits are paid as long as you live, assuming that you remain disabled for life. Verification of the continuance of your disability is required each year.

The amount of the disability retirement benefit depends on your earnings and credited service only up to the date your employment terminates due to disability. In either case, the amount of the disability retirement benefit is never less than 20% of your average monthly earnings from your last 12 months of employment. There is no reduction for age even though disability retirement may occur before your normal retirement date.

WHAT IF I LEAVE BEFORE I RETIRE?

After you have 5 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 are old enough to retire and receive your monthly benefits. You may apply for your benefits 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

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 \$35,000, has 30 years and 0 months of credited service, and terminates employment due to retirement at age 65.

	<u>Sample Participant</u>	<u>You</u>
1. Final average earnings.	\$ <u>35,000.00</u>	
2. Multiply line 1 by 2.00% (.02).	\$ <u>700.00</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>21,000.00</u>	
5. Divide line 4 by 12 to find monthly normal retirement benefit.	\$ <u>1,750.00</u>	

Remember, the resulting amount will change if an optional form of payment is chosen or if retirement is before age 65 with 5 years of credited service. Remember also to count Social Security benefits and your personal savings when estimating total retirement income.

Example 2 - Early Retirement Benefit

Early retirement, as we mentioned before, is possible if a participant is between ages 55 and 65 and has at least 10 years of credited service but does not meet the 20 year service requirement for the Alternative Normal retirement option. 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 normal retirement age. 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.

Suppose that our participant takes early retirement at age 55. He is taking the maximum payment himself 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 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. His accrued normal retirement benefit at age 65 was \$1,750.00 per month. However, to find the amount he can draw at age 55, we must multiply the accrued benefit at age 65 by the early retirement reduction factor for age 55.

The Early Retirement Reduction Table below shows that a participant retiring at age 55 gets 50% of his accrued normal retirement benefit. 50% of \$1,750.00 yields a monthly benefit of \$875.00 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	93.3%
63	86.7%
62	80.0%
61	73.3%
60	66.7%
59	63.3%
58	60.0%
57	56.7%
56	53.3%
55	50.0%

GENERAL INFORMATION

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 consider issues between the City and its employees in relative matters.

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. **However**, if you take Normal or Alternative Normal Retirement, you may not be re-employed with the City in an eligible or ineligible class until you have been separated from employment from the City for 6 months following retirement. If you are re-employed after the 6 month break in employment in an eligible class, your retirement benefit will be suspended and it will be recalculated and begin again following your final separation from the City. **However**, if you apply for and accept Early Retirement, you must terminate your employment with the City to receive your early retirement benefit. If you return to service with the City after taking Early Retirement, your early retirement benefit will be suspended until you qualify for Normal Retirement.

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 separate from Social Security benefits. For employees whose year of birth is before or through 1937, full benefits from Social Security are payable at age 65. For others, see the following table:

<u>Date of Birth</u>	<u>Retirement Age for Full S.S. Benefits</u>
1938	65 years, 2 months
1939	65 years, 4 months
1940	65 years, 6 months
1941	65 years, 8 months
1942	65 years, 10 months
1943 thru 1954	66 years, 0 months
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 and later	67 years, 0 months

Cost-of-Living-Adjustment (COLA)

Retired participants and their beneficiaries will receive a variable annual cost-of-living adjustment set by GMEBS not to exceed 2.5%.

Medical Coverage Benefits for City Retirees

The City provides the option to employees over fifty-five(55)years old who retire from City employment with at least 20 years of credited service of electing to remain on the City's medical insurance plan until reaching age 65 with the City's paying one-half of the cost of individual medical insurance coverage under the plan for any such employee eligible for and electing such coverage, and the retiree paying the remaining one-half of such cost through authorized automatic deductions from his/her retirement benefits.