

PENSION REFORMS FOR GENERAL EMPLOYEES' RETIREMENT PLAN MEMBERS

How will it affect you?

Summary

The City has passed on first reading Ordinance 2013-15 that outlines changes to the General Employee's Retirement Plan with an effective date of October 1st, 2013. It was passed unanimously by council at first reading on Tuesday, August 20th, 2013. It is scheduled for second reading on Wednesday, September 11th, 2013.

| SUMMARY OF PLAN CHANGES | | |
|-------------------------|---|--|
| Benefits | Current Plan | Amended Plan (effective 09/30/2013) |
| Service Multiplier | 3% for all months of service | 3% multiplier for months earned before 10/01/2013 2.5% multiplier for months earned after 09/30/2013 <i>(for those not eligible to retire on 09/30/2013)</i> |
| Normal Retirement Age | Age 62, or Age 55 with 20 yrs service | Age 62 with 10 yrs of service, or Age 60 with 25 yrs of service <i>(for those not eligible to retire on 09/30/2013)</i> |
| Vesting | 100% after 6 years | 100% after 10 years <i>(for current non-vested members)</i> |
| Maximum period in DROP | 5 years | 3 years <i>(for those not already in DROP, and those not eligible to retire on 09/30/2013)</i> |
| Retirement COLA | 2.25% annually on 1 st October after 12 months from retirement | 2.25% annually on 1 st October after 12 months from retirement for any benefits earned before 10/01/2013 -- AND -- .75% annually on 1 st October after 36 months from retirement for benefits earned after 09/30/2013 <i>(for those not eligible to retire on 09/30/2013)</i> |

Workshop Meetings – members approval of changes to pension plan.

Meetings are being held to explain these reforms to your pension plan and to answer your questions.

Friday September 6, 2013 - Meetings will be held at the following locations:

Norwood Water Plant
19150 NW 8th Ave.
9:00 am – 10:00 am

McDonald Center
17011 NE 19th Ave. – Room 1
11:00 am – 1:00 pm

Operations Center
2101 NE 159th Street
2:00 pm – 4:00 pm

Plan Amendment Ballot Vote

Sept. 9th, 2013
Sept. 10th, 2013

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The following pages will have some Frequently Asked Questions and examples of how your pension benefits will change if the pension plan amendments are adopted by City Council and approved by 2/3 of the pension plan members who vote. We want to assure you that any benefits you've accrued (earned) up until the effective date of the changes (10/1/2013) will not change.

If you still have questions about your own personal situation, feel free to contact our Pension Administrator, Marty Lebowitz at ext 2053, or 305-919-3724.

PENSION REFORMS FOR GENERAL EMPLOYEES' RETIREMENT PLAN MEMBERS

FREQUENTLY ASKED QUESTIONS

1. I'm a PCO and am represented by the IUPA bargaining unit. Will these pension changes affect me?

NO. The Police Communications Officers are in the IUPA bargaining unit. Their retirement benefits cannot be changed except by collective bargaining adoption of an ordinance and approval of pension plan members voting.

2. Will the members of the retirement plan have the right to vote on these plan amendment changes?

YES. All active participants of the retirement plan (those that still pay 7% of their earnings into the plan) will be given the opportunity to vote on a ballot being prepared by Marty Lebowitz. Members in the DROP are not eligible to vote on plan changes.

3. But Ordinance 2013-15 eliminates our right to vote on plan changes. Will we lose our right to vote?

4. The current Retirement Plan Document provides the active participants the right to vote on any changes to the Plan. Therefore, the ballot being prepared by the pension administrator, Marty Lebowitz, will have two items on the ballot, listed basically as follows:

- To amend the Plan benefits as shown on the summary of plan changes listed above (Yes or No)
- To amend the Plan to remove the 66-2/3% vote of active participants (Yes or No)

5. I am eligible to retire before September 30, 2013. Will any of these plan changes affect me?

NO. If you are 62 years of age by 09/30/2013, OR have at least 20 years of service and are 55 years of age by 09/30/2013, none of the changes to the plan will affect you even if you continue working. You may choose to enter the DROP program at any time and remain in the DROP for five (5) years. Upon retirement, you will still be eligible for an annual 2.25% COLA (cost of living adjustment) when eligible after a year of retirement.

6. VESTING. What does it mean? When will I be "vested" in the retirement plan?

When you have worked a certain number of years, you become vested in the plan....meaning you are eligible to collect a retirement benefit at your normal retirement age. If you decide to leave the City before being eligible to retire, and are vested, you may choose to leave your contributions in the plan and collect your monthly benefit when you reach your normal retirement age.

If you leave the City before being eligible to retire, and before being vested, the retirement plan must refund your contributions along with 3% interest.

- a) If you have at least 6 years of service as of 09/30/2013, you are currently vested.
- b) If you have less than 6 years of service, and you have not attained age 62 as of 09/30/2013, you will become vested upon completion of 10 years of service.
- c) Workers hired on or after 10/1/2013, you will become vested upon completion of 10 years of service.

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7. I am age 54 with 22 years of service, and am less than one year away from being eligible to retire on 07/01/2014. Does this mean I must now wait until I am 60 years old?

NO. You may still retire at age 55. However, your benefit will be paid to you in two portions, and at two different ages:

- Your months of service up through 09/30/2013 will still retain the 3% service multiplier. You DO NOT LOSE the 3% multiplier on service time already earned. You will receive a monthly benefit calculated for the years of service until 09/30/2013.

PLUS

- Those months of service after 09/30/2013 will have a 2.5% service multiplier. You will receive an additional monthly benefit at the new retirement age of 62, calculated for the years of service earned after 09/30/2013.

BASIC MONTHLY BENEFIT = Average Monthly Compensation for 60 months X Multiplier X Years of Service

| SAMPLE RETIREMENT BENEFIT CALCULATION | | | | |
|--|--|--------------------------------------|-------------------|-----------------------------|
| <ul style="list-style-type: none"> • Employee will be age 55 on 07/01/2014 (in about 10 months), and wants to retire on 07/01/2014 • Hired on 01/01/1991, will have 23.50 years of service (on 07/01/2014) • Average Monthly Compensation for 60 months = \$3,750 (\$45,000 annually) | | | | |
| WITH CURRENT PLAN | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 06/30/2014 | 07/01/2014 (age 55 & 23.5 yrs svc) <i>Normal Retirement Age 55, with 20 yrs of service</i> | 23.50 service years X 3% X \$3,750 = | \$2,643.75 | 2.25% COLA on 10/01/2015 |
| WITH PLAN CHANGES | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 09/30/2013 | 07/01/2014 (age 55 & 22.75 yrs svc) <i>Normal Retirement Age, before Plan Amended</i> | 22.75 service years X 3% X \$3,750 = | \$2,559.38 | 2.25% COLA on 10/01/2015 |
| 10/01/2013 thru 06/30/2014 | 07/01/2021 (at age 62) <i>Normal Retirement Age, after Plan Amended</i> | .75 service years X 2.5% X \$3,750 = | \$ 70.31 | .75% COLA on 10/01/2021 |
| TOTAL BENEFIT ON 07/01/2021 = | | | \$2,629.69 | |

PENSION REFORMS FOR GENERAL EMPLOYEES' RETIREMENT PLAN MEMBERS

8. I am age 45 with 15 years of service, and plan to work here until age 60. How will these changes affect my retirement benefit?

If you plan to work with the City until age 60, you will have 30 years of service.

Your benefit will be paid to you in two portions:

- Your months of service up until 09/30/2013 will still retain the 3% service multiplier. You DO NOT LOSE the 3% multiplier on service time already earned. You will receive a portion of the monthly benefit calculated for the years of service until 09/30/2013.

PLUS

- Those months of service after 09/30/2013 will have a 2.5% service multiplier. You will receive an additional monthly benefit at the new retirement age, calculated for the years of service earned after 09/30/2013.

BASIC MONTHLY BENEFIT = Average Monthly Compensation for 60 months X Multiplier X Years of Service

| SAMPLE RETIREMENT BENEFIT CALCULATION | | | | |
|--|---|---------------------------------------|-------------------|-----------------------------|
| <ul style="list-style-type: none"> Employee wants to retire when he reaches age 60 on 10/01/2028 Hired on 10/01/1998, he will have 30 years of service (on 10/01/2028) Average Monthly Compensation for 60 months = \$3,000 (\$36,000 annually) | | | | |
| WITH CURRENT PLAN | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 09/30/2023 | 10/01/2028 (age 60, 30 yrs service) <i>Normal Retirement Age 55 with 20 yrs service</i> | 30.0 service years X 3% X \$3,000 = | \$2,700.00 | 2.25% COLA on 10/01/2029 |
| WITH PLAN CHANGES | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 09/30/2013 | 10/01/2028 (age 60, 30 yrs service) <i>NEW Normal Retirement Age 60 with 25 yrs service</i> | 15.0 service years X 3% X \$3,000 = | \$1,350.00 | 2.25% COLA on 10/01/2029 |
| 10/01/2013 thru 09/30/2028 | | 15.0 service years X 2.5% X \$3,000 = | \$1,125.00 | .75% COLA on 10/01/2031 |
| TOTAL BENEFIT ON 07/01/2028 = | | | \$2,475.00 | |

PENSION REFORMS FOR GENERAL EMPLOYEES' RETIREMENT PLAN MEMBERS

**9. I am age 45 with 15 years of service, Can I still retire at age 55 with 25 years of service?
How will these changes affect my retirement benefit?**

YES, you can still retire at age 55.

However, your benefit will be paid to you in two portions, and at two different ages:

- Your months of service up until 09/30/2013 will still retain the 3% service multiplier. You DO NOT LOSE the 3% multiplier on service time already earned. You will receive a monthly benefit calculated for the years of service until 09/30/2013.

PLUS

- Those months of service after 09/30/2013 will have a 2.5% service multiplier. You will receive an additional monthly benefit at the new retirement age, calculated for the years of service earned after 09/30/2013.

BASIC MONTHLY BENEFIT = Average Monthly Compensation for 60 months X Multiplier X Years of Service

| SAMPLE RETIREMENT BENEFIT CALCULATION | | | | |
|---|---|---------------------------------------|-------------------|-----------------------------|
| <ul style="list-style-type: none"> Employee wants to retire when he reaches age 55 on 10/01/2023 Hired on 10/01/1998, he will have 25 years of service (on 10/01/2023) Average Monthly Compensation for past 60 months = \$3,000 (\$36,000 annually) | | | | |
| WITH CURRENT PLAN | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 10/01/2023 | 10/01/2023 (age 55, 25 yrs service) <i>Normal Retirement Age 55 with 20 yrs service</i> | 25.0 service years X 3% X \$3,000 = | \$2,250.00 | 2.25% COLA on 10/01/2024 |
| WITH PLAN CHANGES | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 09/30/2013 | 10/01/2023 (age 55, 25 yrs service) <i>Normal Retirement Age 55 with 20 yrs service</i> | 15.0 service years X 3% X \$3,000 = | \$1,350.00 | 2.25% COLA on 10/01/2024 |
| 10/01/2013 thru 10/01/2023 | 10/01/2028 (age 60, 25 yrs service) <i>NEW Normal Retirement Age 60 with 25 yrs service</i> | 10.0 service years X 2.5% X \$3,000 = | \$ 750.00 | .75% COLA on 10/01/2028 |
| TOTAL BENEFIT ON 10/01/2028 = | | | \$2,100.00 | |

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10. I am age 49 with 19 years of service on 09/30/2013.

I work one more year and will be age 50 with 20 years of service on 10/01/2014.

I quit and choose to wait for a Deferred Retirement Benefit. When can I collect my Deferred Benefit?

A deferred benefit is paid when you reach Normal Retirement Age. Under the new plan changes, your benefit will be paid to you in two portions, and at two different ages.

Since you have 20 years of service, you may collect your first portion at age 55.

- Your months of service up until 09/30/2013 will still retain the 3% service multiplier. You **DO NOT LOSE** the 3% multiplier on service time already earned. You will receive a monthly benefit calculated for the years of service until 09/30/2013.

PLUS

- Those months of service after 09/30/2013 will have a 2.5% service multiplier. You will receive an additional monthly benefit at the new retirement age of 62, calculated for the years of service earned after 09/30/2013.

BASIC MONTHLY BENEFIT = Average Monthly Compensation for 60 months X Multiplier X Years of Service

| SAMPLE RETIREMENT BENEFIT CALCULATION | | | | |
|---|---|-------------------------------------|-------------------|-----------------------------|
| <ul style="list-style-type: none"> Employee terminates employment at age 50 with 20 years of service on 10/01/2014. Employee elects to leave contributions in the plan to collect a Deferred Retirement Benefit. Average Monthly Compensation for past 60 months = \$3,000 (\$36,000 annually) | | | | |
| WITH CURRENT PLAN | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 09/30/2014 | 10/01/2019 (age 55, 20 yrs service) <i>Normal Retirement Age 55 with 20 yrs service</i> | 20.0 service years X 3% X \$3,000 = | \$1,800.00 | 2.25% COLA on 10/01/2020 |
| WITH PLAN CHANGES | | | | |
| Service Period | Payable Starting | Calculation | Monthly Benefit | COLA |
| Thru 09/30/2013 | 10/01/2019 (age 55, 20 yrs service) <i>Normal Retirement Age 55 with 20 yrs service</i> | 19.0 service years X 3% X \$3,000 = | \$1,710.00 | 2.25% COLA on 10/01/2020 |
| 10/01/2013 thru 09/30/2014 | 10/01/2026 (age 62, 20 yrs service) <i>NEW Normal Retirement Age 62</i> | 1.0 service year X 2.5% X \$3,000 = | \$ 75.00 | .75% COLA on 10/01/2026 |
| TOTAL BENEFIT ON 10/01/2026 = | | | \$1,785.00 | |

PENSION REFORMS FOR GENERAL EMPLOYEES' RETIREMENT PLAN MEMBERS

**11. I am age 50 with 10 years of service, and plan to enter the DROP upon age 60.
How will these changes affect my retirement benefit?**

You may still enter the DROP at age 60, however you may only remain in the DROP for 3 years. Your benefit will be paid to you in two portions, and at two different ages:

- Your months of service up until 09/30/2013 will still retain the 3% service multiplier. You DO NOT LOSE the 3% multiplier on service time already earned. You will receive a monthly benefit calculated for the years of service until 09/30/2013.
PLUS
- Those months of service after 09/30/2013 will have a 2.5% service multiplier. You will receive an additional monthly benefit at the new retirement age of 62, calculated for the years of service earned after 09/30/2013.

BASIC MONTHLY BENEFIT = Average Monthly Compensation for 60 months X Multiplier X Years of Service

| SAMPLE RETIREMENT BENEFIT CALCULATION | | | | |
|--|--|---|-------------------|-----------------------------|
| <ul style="list-style-type: none"> • Employee will be age 60 on 10/01/2023, and wants to enter the DROP on 10/01/2023 • Hired on 10/01/2003, will have 20.00 years of service (on 10/01/2023) • Average Monthly Compensation for 60 months = \$3,750 (\$45,000 annually) • Employee remains in the DROP for 3 years until 09/30/2026 | | | | |
| WITH CURRENT PLAN | | | | |
| Service Period | Payable Starting | DROP Calculation | Monthly Benefit | COLA |
| Thru 09/30/2023 | 10/01/2023 (age 60 & 20 yrs svc) <i>Normal Retirement Age 55, with 20 yrs of service</i> | 20.00 service years X 3% X \$3,750 = | \$2,250.00 | 2.25% COLA on 10/01/2027 |
| WITH PLAN CHANGES | | | | |
| Service Period | Payable Starting | DROP Calculation | Monthly Benefit | |
| Thru 09/30/2013 | 10/01/2023 (age 60 & 20 yrs svc) <i>Normal Retirement Age, before Plan Amended</i> | <u>Initial DROP amount</u> 10.00 service years X 3% X \$3,750 = | \$1,125.00 | |
| 10/01/2013 thru 09/30/2023 | 10/01/2025 (at age 62) <i>Normal Retirement Age, after Plan Amended</i> | <u>Additional DROP amount</u> 10.00 service years X 2.5% X \$3,750 = | \$ 937.50 | |
| After 3 yrs, terminates on 09/30/2026 | | | | |
| TOTAL RETIREMENT BENEFIT ON 10/01/2026 = | | | \$2,062.50 | COLA |
| Thru 09/30/2013 | First portion of Benefit, for service thru 9/30/2013 | | \$1,125.00 | 2.25% COLA on 10/01/2027 |
| 10/01/2013 thru 09/30/2023 | Second portion of Benefit | | \$ 937.50 | .75% COLA on 10/01/2029 |