

# City of Tybee Island

# Employee Retirement Handbook

ADMINISTERED BY



## **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 more pleasant and secure when that time arrives.

Accordingly, the City of Tybee Island 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 funds through the Georgia Municipal Employees Benefit System (GMEBS). The Georgia Municipal Association (GMA) conducts all day-to-day administration of the plan for the City.

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 a more adequate income for you in retirement. 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 the plan is May 1, 1987. This booklet includes plan provisions that were in effect as of April 1, 2010.

# Contents

What is the purpose of the Plan? .....	1
Who may join? .....	1
How much does it cost? .....	1
How does the Plan benefit me? .....	1
How are benefits determined? .....	1
How are benefits paid?.....	2
Death Benefits.....	3
Disability Benefits.....	4
What if I leave before I retire?.....	4
Cost-of-Living Increases .....	4
Examples of Benefit Calculations .....	5
<i>Example 1</i> .....	5
<i>Option A (Maximum Benefit with No Beneficiary)</i> .....	5
<i>Example 2</i> .....	5
<i>Option B (Joint and Survivor Option) at 100%</i> .....	5
<i>Example 3</i> .....	6
<i>Option B (Joint and Survivor Option) at 50%</i> .....	6
<i>Example 4</i> .....	6
<i>Option C (50% Joint and Survivor Benefit with a Pop-up)</i> .....	6
<i>Example 5</i> .....	6
<i>Early Retirement Benefit</i> .....	6
<i>Early Retirement Reduction Table</i> .....	7
General Information.....	7
<i>Where Can I Get More Information?</i> .....	7
<i>Employment After Retirement</i> .....	7
<i>You Can't Borrow or Pledge Money from the Fund</i> .....	7
<i>Social Security and Your Retirement Benefits</i> .....	7
Worksheet.....	9

### **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.

### **Who may join?**

Regular, full-time employees hired or re-hired on or after October 1, 1996 who work at least 35 hours per week on a regular basis may participate in the plan when they have completed 1 year of continuous service. Regular, full-time employees hired before October 10, 1996 must work at least 20 hours per week on a regular basis to participate. Participation in the plan always begins on the first day of a month. If you complete 1 year of service on the first day of a month, you become a participant that same day. If you complete 1 year of service after the first of a month, you become a participant on the first day of the next month.

### **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 credited service. Normal retirement is at age 65 if you have at least 5 years of credited service or, if you are a police officer, age 55 if you have at least 20 years of credited service. There are also provisions for earlier retirement with reduced benefits.

In addition, the plan provides for death and disability benefits to qualified participants and cost-of-living increases to retired participants.

### **How are benefits determined?**

The amount of your benefit is based on four items:

1. **Credited Service.** Normally, your credited service will equal 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 5 consecutive years in which they are highest.
3. **Benefit Formula.** The benefit formula is a two-step process. Your annual benefit is calculated as follows:

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1.50% X your final average earnings up to  
your Dynamic break point

+

2.00% X your final average earnings that exceed  
your Dynamic break point

X

your years and months of credited service.

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The Dynamic break point is based on your year of termination of employment. See the explanation of Dynamic break point on page 5.

4. **Age at Retirement.** Normal retirement age is 65 provided you have at least 5 years of credited service, or, if you are a police officer, age 55 provided you have at least 20 years of service. Early retirement is available between ages 55 and 65 provided you have at least 10 years of credited service. If you retire before normal retirement age, your benefit will

be reduced to compensate for your longer life expectancy after retirement. The earlier you retire, the lower your benefit will be. (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 last day of that month, and all future retirements will be paid to you on the last day of each month. You can choose one of five ways to receive your benefits:

1. **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.
2. **Option B — (Reduced Lifetime Benefit for Retiree; 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 not increase, and you will not be able to name another beneficiary.

3. **Option C — (Reduced Lifetime Monthly Benefit for Retiree; Lifetime Survivor Benefit with Pop-Up).** This option is similar to Option B (see above). It provides an actuarially reduced lifetime monthly retirement benefit for you, and you elect a percentage of your benefit (**100%, 75%, 50%, or 25%**) to be paid to your surviving beneficiary for as long as he or she lives after your death. However, it also 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 ("Lifetime Monthly Benefit"). If you elect this Option C, then 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.
4. **Option D — (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.

5. **Option E — (Increased Retirement Benefit Until Age 62; Reduced Benefit Thereafter (Social Security Offset).** This option is not available if you are over age 62. It is designed to provide you with a relatively equal retirement income both before and after you begin receiving Social Security benefits. This option provides a higher monthly retirement benefit for the period between your retirement date and age 62 (when you become eligible to apply for reduced Social Security benefits). At age 62, your monthly retirement benefit 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 from this plan will decrease significantly after age 62.** For some participants, the monthly retirement benefit may be reduced to zero. Also, please note that you cannot name a beneficiary under this option. Upon your death, (before or after 62) no further benefits are payable to any person or to your estate. **This option is not recommended for most participants, since in many cases it will not provide a sufficient lifetime retirement income.**

### Death Benefits

**As an Active Employee** — When you become a participant in the plan (after completing 1 year

of service,) you may name one person as your primary beneficiary and one person as your secondary beneficiary. Your primary beneficiary (or your secondary beneficiary, if the primary beneficiary does not survive you by at least 32 days) will receive an immediate monthly lifetime benefit if you die while you are employed by the City. The amount depends on your age, credited service, salary, and your beneficiary's age.

**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 becoming eligible to participate in the plan, 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 would be equal to the decreased monthly retirement benefit that would have otherwise been payable to you 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, Option C, or Option D at retirement, your designated beneficiary should receive benefits after your death based on the plan selected. If you choose Option A or Option E, 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 may be 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. However, the amount of the benefit will be a minimum of at least 20% of your average monthly earnings from your last 12 months of employment. There is no reduction for early age even though disability retirement may occur before your normal retirement date.

### 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 are old enough to retire and draw your monthly benefits. If you have between 5 and 10 years of credited service, you are partially vested:

### Vesting Schedule

Years of Credited Service	Percent Vested
Less than 5	-0-
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

You can also qualify for a full vested benefit with less than 10 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 10 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.**

### Cost-of-Living Increases

Retired participants and their beneficiaries receive an annual cost-of-living increase up to a

maximum of 3% of their benefit. The actual amount of each increase is based upon the annual increase of the Consumer Price Index.

### 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 Worksheet on page 9.

#### 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, 30 years and 0 months of credited service, and terminates employment in 2010 at age 65.

	Sample Participant
1. Final average earnings.	\$ 40,000.00
2. Dynamic break point amount (see page 5).	\$ 59,268.00
3. If line 2 is less than line 1, enter amount from line 2. If line 2 is more than line 1, enter amount from line 1.	\$ 40,000.00
4. If line 3 is less than line 1, subtract line 3 from line 1. If line 3 is the same as line 1, enter "0".	\$0.00
5. Multiply line 3 by 1.50% (.0150).	\$ 600.00
6. Multiply line 4 by 2.0% (.02).	\$ 0.00
7. Add lines 5 and 6.	\$ 600.00
8. Credited service (years and months).	30,0
9. Multiply line 7 by line 8 to find annual normal retirement benefit.	\$ 18,000.00
10. Divide line 9 by 12 to find monthly normal retirement benefit.	\$ 1,500.00

Remember, the resulting amount will change if an optional form of payment is chosen or if retirement is early. Remember to count your Social Security benefits and your personal savings when estimating *total* retirement income.

#### Dynamic Break Point

The Dynamic break point is determined by taking an average of the maximum amount of earnings for which Social Security tax is payable over a period of approximately 35 years. It is based on your year of termination of employment.

For employees terminating in 2010, the break point is \$59,268.

The Dynamic break point figures for future years are not available at this time, but will undoubtedly exceed the above break point.

#### Example 2

##### Option B (Joint and Survivor Option) 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 \$1,500.00 normal retirement benefit. Our sample participant will receive \$1,249.50 each month as long as he lives, and at his death his beneficiary will receive 100% or \$1,249.50 each month for the rest of her life.

**Example 3**

**Option B (Joint and Survivor Option) 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 \$1,500.00 normal retirement benefit, or \$1,363.50 every month during his lifetime. His beneficiary gets 50% of this reduced benefit when he dies, or \$681.75 each month for the rest of her life.

**Example 4**

**Option C (50% Joint and Survivor Benefit with a Pop-up)**

If our participant selects a 50% Joint and Survivor Benefit with a Pop-up, the monthly benefit paid to the participant is slightly less than what the participant would have received if he had elected to receive the regular 50% Joint and Survivor Benefit (88.9% of his normal retirement benefit versus 90.9%). However, if the participant's beneficiary predeceases the participant after retirement payments have begun, then the participant's monthly retirement benefit "pops-up" to what he would have received if he had chosen Option A.

If both are the same age, the participant gets 88.9% of his \$1,500.00 normal retirement benefit, or \$1,333.50 every month during his lifetime. If the participant's beneficiary survives him, the beneficiary gets 50% of this reduced benefit, or \$666.75 each month for the rest of her life. If the participant's beneficiary does not survive him, the participant's benefit "pops-up" to what he

would have received if he had chosen Option A (\$1,500.00).

Please note, the above examples describe how benefits are calculated if you choose Options A, B, or C. Other benefit payment options are available under the plan, but are not included in the above examples.

**Example 5**

**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. 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 normal age, 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 \$1,500.00 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 \$1,500.00 yields a monthly benefit of \$750.00 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.

Retirement Age	Percentage of Your Normal Retirement Income
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 become reemployed with the City, your benefits will be suspended as long as you remain a regular employee with 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 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:

Date of Birth	Retirement Age for Full S.S. Benefits
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

## Worksheet

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, 30 years and 0 months of credited service, and terminates employment in 2010 at age 65.

	Sample Participant	You
1. Final average earnings.	\$ 40,000.00	
2. Dynamic break point amount (see page 5).	\$ 59,268.00	
3. If line 2 is less than line 1, enter amount from line 2. If line 2 is more than line 1, enter amount from line 1.	\$ 40,000.00	
4. If line 3 is less than line 1, subtract line 3 from line 1. If line 3 is the same as line 1, enter "0".	\$0.00	
5. Multiply line 3 by 1.50% (.0150).	\$ 600.00	
6. Multiply line 4 by 2.0% (.02).	\$ 0.00	
7. Add lines 5 and 6.	\$ 600.00	
8. Credited service (years and months).	30,0	
9. Multiply line 7 by line 8 to find annual normal retirement benefit.	\$ 18,000.00	
10. Divide line 9 by 12 to find monthly normal retirement benefit.	\$ 1,500.00	

***Remember, the resulting amount will change if an optional form of payment is chosen or if retirement is early. Remember to count your Social Security benefits and your personal savings when estimating total retirement income.***