



TUCSON SUPPLEMENTAL RETIREMENT SYSTEM  
SPECIAL ANNOUNCEMENT TO MEMBERS  
END OF SERVICE PROGRAM  
(Amended September 2010)

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Beginning on July 1<sup>st</sup> 2006, Tucson Supplemental Retirement System members who are or who become eligible for a normal retirement (Rule of 80 or age 62) through December 31, 2010 will be eligible to participate in the End of Service Program. The End of Service Program provides participants with a new type of pension benefit allowing them to receive a lump sum payment of up to one year's worth of pension benefits following their last year of service with the City. This provides a unique opportunity for retiring members to accumulate additional savings for retirement. The End of Service Program is available to all members who are both eligible to participate and elect to participate by December 31, 2010. Eligible members who have 80 service points or age 62 may elect to sign up for the End of Service Program starting June 7, 2006. Actual participation will not begin until July 1, 2006.

The following are the highlights of the End of Service Program. Members considering the End of Service Program should read this announcement carefully and discuss this new alternative with the Retirement Office to understand how this program works and how it will affect their permanent monthly pension benefit.

### **End of Service Program Description**

- The End of Service Program is designed for eligible members that would like to accumulate up to a years worth of pension benefit payments that will be payable to them at the end of their final year of service. During the member's final year, no additional pension service years are added after the date of entry, and the member would not have a pension contribution deducted from their paycheck. Although participation in the End of Service Program will provide a member with a lump sum cash payment it will also have the effect of the member receiving a slightly reduced permanent monthly pension benefit. This is because during participation in the End of Service Program the member will not be accruing creditable service that is a determining factor in calculating a member's permanent monthly pension benefit. (For a more detailed explanation of how the End of Service Program will affect your permanent pension benefit and description of how your permanent pension benefit is calculated see **End of Service Program Operation** below.)
- Eligibility for this program occurs when a member reaches normal service retirement eligibility either by attaining the age of 62 with any number of years of creditable service or, when a combination of the member's age and the years of creditable service, plus unused sick and vacation leave totals at least 80 points. Participation requires eligible members to make a voluntary, irrevocable election to participate during their final year of service. Upon completion of the End of Service Program, the member is required to separate from service with the City.
- The period available for members to elect to participate will run from July 1, 2006 to December 31, 2010. If the member elects to participate, the member must terminate employment at the end of the 12<sup>th</sup> month following their entry date. Every member enters the End of Service Program on the 1<sup>st</sup> day of the month.
- **September 2010 Amendment:** To participate, members must complete enrollment forms with the Retirement office no less than 10 days prior to their entry month; except for the program's final month, which is December 2010. **The final deadline for all members wanting to enter the End of Service Program is December 10, 2010.**

- Any member may change the beginning date of their participation in the End of Service Program to an earlier date as long they were eligible at that date, by giving notice not less than ninety (90) days notice prior to their new participation date. A member may not change the date of their participation in the End of Service Program to a later date. Notwithstanding the foregoing, a member who signed up before July 1, 2006 to participate in the End of Service Program may withdraw their application to participate in the End of Service Program.
  - The unused leave time that exists on the day prior to when the member enters the End of Service Program will be used for the calculation of the member's permanent monthly pension benefit. Additional leave time will continue to accrue at the member's applicable rate during their final year of service and will be paid to the member based upon the number of hours that remain unused when termination occurs. Therefore, any accruals or uses of leave time after the member enters this program will have no effect on their permanent pension benefit amount, but will have a resulting effect on the amount paid to the member at termination for unused vacation and sick leave.
  - The amounts deposited in the member's End of Service Program Account will earn interest at a rate determined by the Board of Trustee of the Tucson Supplemental Retirement System. The interest rate will be based on the United States Government 90 Day "T-Bill" (Treasury Bill) rate.
  - If a member fails to normally terminate from service with the City at the End of their participation in the End of Service Program, or earlier, the member will forfeit their entire End of Service Program Account balance.
  - There are 3 payout options available to members participating in the End of Service Program. The member must select their payout option prior to the end of their final year of service. The lump sum payment will be made on the same date the member receives their first pension benefit payment following their retirement.
- (1) Cash – Payment is made directly to the member after deducting applicable Federal and State income taxes. If the member selects the cash payment option, only 75% of the account balance will be paid because at least 20% will be withheld for Federal Income tax and 5% for income tax payable to the State of Arizona. Your payment will be taxed in the year in which it is paid unless you roll it over to an eligible tax deferred account. If payment is made to the member prior to when they have attained age 59½, you may also have to pay an additional 10% early distribution penalty. Members are encouraged to discuss income tax issues with a qualified tax advisor.
  - (2) Direct Rollover Option – member designates payment to be made directly to an eligible rollover account, such as a traditional IRA or, if you choose, another qualified employer plan that will accept this rollover. Under this option, your payment will not be taxed in the current year and no income tax will be withheld. Your payment will be taxed later at the time when you decide to take it out of the traditional IRA or the qualified employer plan that the amount was rolled to.
  - (3) The member can choose to receive part of the payment in cash and roll over the remaining amount.

### **End of Service Program Operation**

When a member chooses to enter the End of Service Program two things happen. First, the member makes a voluntary and irrevocable election to enter the program and separate from service with the City not later one year after the effective date the member enters the End of Service Program. Second, a member's permanent monthly pension benefit is calculated when the member enters the program. This is necessary because the monthly benefit determined establishes the amount that is paid to the member under one of the options discussed above.

- 1) The actual permanent pension benefit accrued by the member at the time of entry into the End of Service Program. This is an important issue to consider because the member makes a voluntary and irrevocable election to participate in the End of Service Program. By doing so, the member “locks in” their years of pension service credit, their highest 36 months of final pay and the amount of accrued sick and vacation leave time used in the computation of their monthly pension benefit for retirement. During the final year of service, the member makes no further payroll contributions to the pension system and no further changes are recognized from events that occur during their final year of service that will affect pension benefits.

**February 2010 Amendment: An exception to “locking in” the years of pension service credit exists if a member has entered into an irrevocable purchase agreement in effect prior to entering the End of Service Program. Any installment payments to be made, and the associated service credits to be added will continue until the member retires or the installment agreement is completed. Following completion of this process, the member will receive any additional service credits for payments made to their benefit calculation.**

- 2) The pension benefit option selected by the member for retirement and the designation of their survivor (single, joint & survivor % or term certain). Entering the program requires the member to complete their retirement benefit selections that will be paid them in retirement as if they were retiring at the time of entry. This is an irrevocable election made at the time of entry into the End of Service Program and cannot be changed. The member continues to work for their final year of service, but no changes are made to their retirement benefit options at their termination of employment.
- 3) The number of months a member can participate in the End of Service Program cannot exceed 12 consecutive months and will be effective on the first day of the month following their election to participate. The member may choose to terminate their employment with the City and participation in the End of Service Program prior to completion of their final year. However the member must terminate their employment after they participate in the End of Service Program for 12 months or they forfeit all the benefits of the End of Service Program.
- 4) The monthly pension benefit amount is determined at time of entry will be set aside for the member and will have interest added to it during their participation in the program. As discussed above the interest rate used for this purpose will be the 90-day Treasury bill rate.
- 5) Not later than 30 days prior to the end of the members final year or their earlier separation from service, the member must choose whether they want a cash payment or if they want to designate a tax deferred rollover of any part of the amount accumulated in their end of service program account. The timing of the amount paid (or rolled over) will be scheduled to occur when the members first monthly pension benefit payment is due.

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For more information or if you have any questions concerning the City’s End of Service Program please contact the City’s Retirement Office located in City Hall 255 West Alameda, 5<sup>th</sup> Floor East Side, (520) 791-4598.