

Frequently Asked Questions About Pension Benefits

What do I do with this Designation of Beneficiary form?

Please fill it out before orientation. That way, you can include all the information asked for, such as social security numbers and birth dates. We must have these forms on file in case anything happens to you. We would like to refund your retirement funds to the person you select. Name whomever you like as beneficiary; just remember to keep the information up to date. If changes occur, such as marital status or if the named beneficiary dies, call our office for a new designation form.

It's a Defined Benefit Plan!

What does that mean?

The retirement plan will pay you a fixed pre-established monthly benefit for the rest of your life when you retire. The formula drives the benefit, not the account balance. Something to look forward to!

When am I eligible? What is Magic "80"?

Employees are eligible to retire upon reaching age 62 or Magic 80, whichever comes first. Magic "80" is the sum of your age plus years of credited service. Retirement is not mandatory at either of these points, just an option.

Do I have to participate?

Yes, participation is mandatory for all full time employees. Employees in Appointed Positions have the option to participate if they elect to. Appointed employees must fill out an enrollment form to indicate they want to join. Call our office for the form.

How much does it cost me?

Employees hired prior to 7/1/06 contribute a fixed 5% of base pay.

Employees hired after that date contribute 7.5% of your base pay. TSRS employees do not pay pension contributions on overtime pay. The contribution will change annually up or down.

How much does the employer put in?

Yes, the City is contributing to the Retirement System to keep it adequately funded to provide continuing benefits. This money does not come out of your paycheck. The City's contribution also changes annually based on actuarial funding requirements.

What does "vesting" mean?

The term "vested" or "vesting" means you have 5 or more years of credited service in the retirement system.

And why is vesting significant?

Once you are vested you become eligible to draw a disability retirement should you become unable to work due to a work or non-work related condition. This means you could retire before reaching normal eligibility requirements and collect a benefit based upon your years of service. You also may elect to defer your retirement if you leave.

What are my options if I decide to leave employment with the City?

If you are not vested, you have two options. You can take a refund of your contributions, that will have mandatory 20% federal and 5% state taxes withheld. (Keep in mind there would also be a 10% tax penalty on the refund due to the early removal from a retirement plan) Or you could roll the contributions over to an IRA (Individual Retirement Account) or other type qualified tax plan, which would not be a taxable event. If you are vested you also have the option of deferring retirement benefits mentioned above. Any vested terminating employee that opts to remove their money forfeits the right to receive a monthly pension

What will I receive when I am eligible?

The defined benefit is based on a formula that will take your average final monthly compensation times the number of years of credited service in the plan times the fixed pension factor of 2.25 percent. The more years on the job, the larger the pension.

EXAMPLE OF ESTIMATED PENSION BENEFIT:

| | |
|----------------|------------------------------------|
| \$3,000.00 | average final monthly compensation |
| x 25.00 | years of credited service |
| <u>x 2.25%</u> | <u>pension factor</u> |
| \$1687.50 | monthly pension benefit |

If I have pension service credits elsewhere, what can I do with those?

It depends on where the credits are from. If they are in the Arizona State Retirement System you can simply transfer the service credits over to the City of Tucson. The City and State of Arizona retirement systems have a reciprocal agreement and it will not cost you any money. Other pension funds could possibly be used to buy time in our system. The retirement system also allows active members to purchase service for prior governmental and military time for which the member will not receive pension benefits. Contact our office for more information.

If I work part-time, can I participate?

No, but if your job becomes full time, or you transfer to a full time position you will then join the retirement system.

Do I get the employer contributions when I leave?

No, you do not get the money that the City of Tucson contributes to the retirement system. You do get the 7.5% interest on your contributions while they have been in the retirement fund.