

HAMPTON EMPLOYEES' RETIREMENT SYSTEM



MEMBER HANDBOOK

22 Lincoln Street, Hampton, VA ~ (757) 727-6230

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INTRODUCTION

This handbook is intended as a quick reference to answer questions about the benefits and privileges of membership in the **Hampton Employees' Retirement System (HERS)**. It is important that members read this booklet carefully to understand their rights and responsibilities regarding eligibility for benefits under this plan.

Remember, however, that retirement benefits and the rights thereto are established by Hampton City Council. In case of conflict between information in this Handbook and the provisions of Chapter 28 of the Code of the City of Hampton, Virginia, as amended, or other ordinances of City Council, the code or ordinances will prevail. Please also note that the City is committed to review its policies and benefits continuously, and the benefits outlined in this Handbook are subject to review and change at any time. If you have questions about any information in this Handbook or if you would like additional information, please call or write:

Hampton Employees' Retirement System
22 Lincoln Street, Hampton, VA 23669
(757) 727-6230

YOUR PENSION PLAN

The Hampton Employees' Retirement System (**HERS**) was designed to be part of the income you may anticipate in retirement. Your retirement income will generally come from these sources:

- **Social Security – the City pays a portion of the cost;**
- **Virginia Retirement System (VRS) – the full cost is paid by the City;**
- **Hampton Employees' Retirement System (HERS) – the full cost is paid by the City;**
and
- **Your personal savings.**

Together, these sources give you a strong financial foundation for your retirement years.

HERS was created in July 1966, for permanent full-time employees of the City. Full-time employees of the Hampton School System were covered effective June 1, 1967. In January 1975, **HERS** was made non-contributory for employees and all prior contributions were refunded to both active and inactive members without loss of credit for earned service.

Effective July 1, 1984, **HERS** was closed to new employees of the City and School System.

ADMINISTRATION

HERS is a separate and independent trust administered by a nine-member Board of Trustees whose responsibility is the direction and operation of the system. The board is composed of three ex officio members and six appointees and includes:

- **City Manager and School Superintendent or their designated representative;**
- **Director of Risk Management, or a designated representative;**
- **Two appointees selected by the City Council, one of whom must be a plan member to represent City members;**
- **Two appointees selected by the School Board, one of whom must be a plan member to represent School System members; and**
- **Two retiree appointees, one representing retired City members and approved by City Council, and one representing retired School members and approved by the School Board.**

The Director of Finance of the City of Hampton is the plan Administrator/Treasurer. The plan's financial records are maintained on a fiscal basis ending June 30 of each year.

CONTRIBUTIONS

What does HERS cost?

Since 1975, **HERS** has been funded entirely by the City and School System. There are no employee contributions. City and School contributions are based on the total payroll for active plan members using a percentage rate established by **HERS** actuaries. These funds are invested to provide future benefits.

MEMBERSHIP

Who is covered?

HERS membership is composed of full-time salaried employees of the City and School System who have credit with the plan for service rendered prior to July 1, 1984. This includes the City Treasurer, Commissioner of Revenue, Commonwealth Attorney, Clerk of Court, City Sheriff, if eligible, and their employees.

Effective July 1, 1984, **HERS** was closed to new employees of the City and School System.

I am a former HERS member and have recently returned to full-time City/School employment. Am I eligible to participate in the plan again?

As a former plan member, you are eligible for re-enrollment in **HERS** if, upon returning to employment, you are eligible for membership in the Virginia Retirement System and you had five or more years of service credit with HERS at termination of employment.

Members eligible for re-enrollment are credited with their qualifying period of prior service and are notified in writing of their re-enrollment in the plan.

What is an active member?

You are an active member as long as you are receiving compensation for full-time salaried employment from the City or School System.

What is an inactive member?

You become an inactive member when you stop working in a full-time salaried position with the City or School System.

What does “vested” membership mean?

You are vested in **HERS** when you accumulate five or more years of credited service. Members who ceased work prior to July 1, 1970, must meet a ten-year vesting requirement.

As a vested member, you are eligible to receive a pension from **HERS** as early as age 50 (if you have at least 10 years of service credit) whether you terminated employment prior to age 50 or retire from active service at that time. This is so even if you are not eligible for a similar benefit from Virginia Retirement System.

SERVICE CREDIT

Service credit is important since it is one of the factors used to calculate your pension. You are credited with one month of service for each month you receive at least 15 days of compensation and the City or School System contributes to **HERS** on your behalf. Teachers are credited with one year of service for each full school year completed.

Am I able to purchase service credit with HERS?

No. There is no provision for the purchase of service credit.

SERVICE RETIREMENT

What is the earliest age I can retire?

The earliest a member may retire is age 50 with at least 10 years service credit or age 55 with at least 5 years service credit. Law enforcement and fire fighting personnel, however, may retire at age 50 with 5 years credit.

When am I eligible for “full” or “unreduced” retirement benefits?

The earliest you are eligible for an unreduced pension is the month following your 50th birthday if you have 30 or more years of service credit or age 60 with 5 or more years of service credit. Law enforcement and fire fighting personnel are eligible the month following their 50th birthday with 25 or more years.

It is recognized that the provisions of **HERS** for qualifying for an unreduced retirement benefit differ from the provisions of the Virginia Retirement System (VRS). Generally, a member will recover through his **HERS** benefit, all or a portion of any reduction applied to his benefit from VRS (for Hampton service only), if he retires before full eligibility under that program

What if I retire before I am eligible for “unreduced” HERS benefits?

If you choose to retire prior to age 60 and have less than 25 years credit, your **HERS** pension will be reduced one-half of one per cent (.005) for each month between your date of retirement and the earlier of your 60th birthday, or the date on which you would have completed 25 years credit service had you remained working until that time.

How is my HERS pension calculated?

Referred to as an “offset” system, **HERS** was designed to subsidize your Virginia Retirement System (VRS) benefit. **HERS** provides benefits to members based on age, average final compensation, and length of service, then reduces or “offsets” that total by the members’ VRS benefit payable for Hampton service. The excess amount is the **HERS** benefit.

The exact amount of pension you will receive from **HERS** depends on several factors:

- **Your average final compensation (AFC) at retirement. This is the average annual salary of your 3 highest consecutive years or 36 months of credited service as a member.**
- **Years and months of credited service under Hampton Employees’ Retirement System.**
- **Your date of retirement.**
- **The payment option you select when you retire. There are several options from which to choose. You select the one that best suits your needs.**

The **HERS** formula provides 2% of your average final compensation (AFC) for each year of service credit up to 20 years, plus 2¼% of AFC for all service credit over 20 years. This amount is reduced by an assumed VRS benefit equaling 1½% of your AFC for credited service under VRS that was rendered while you were employed by Hampton Schools or the City. The excess amount is the **HERS** Basic Benefit. (See pages 8-9)

There are exceptions to the formula for members with interrupted service or other special situations. It also does not include early retirement factors. Check with the Retirement Office for additional information if your credited service with **HERS** differs from your VRS service.

Refer to the **VRS HANDBOOK FOR MEMBERS** to calculate your pension from Virginia Retirement System (VRS).

Is there a minimum benefit?

HERS provides a minimum monthly pension of \$25. If your Basic Benefit is under that amount, you will receive the minimum payment unless you elect the J&S 100% or J&S 50% Option.

PAYMENT OPTIONS

How is my benefit paid?

Your pension may be paid several different ways. These are called payment options and you must select one at the time you retire.

- **Basic Benefit:** A benefit amount calculated by the formula shown on pages 8-9, using your age, average final compensation and years of credited service, with a reduction in case of early retirement. This benefit is paid monthly through your lifetime. Upon your death, all payments will cease.
- **Joint & Survivor 100% Option:** Under this option, your Basic Benefit amount is reduced. The reduction is based on the age difference between you and the person you name (contingent annuitant) at the time of your retirement. At your death, the SAME monthly benefit you were receiving will be continued to your contingent annuitant.
- **Joint & Survivor 50% Option:** Under this option, your Basic Benefit amount is reduced but not as much as under the J&S 100%. At your death ONE-HALF of your monthly benefit will be continued to your contingent annuitant.

Payments to your contingent annuitant will not begin until after your death. In the event you elect a survivor option and your contingent annuitant predeceases you, you may revert to the Basic Benefit amount upon notification of the death.

Under normal circumstances, you may change your option selection prior to your effective date of retirement, but not thereafter. If you name your spouse as contingent annuitant and divorce after your retirement date, it is possible to revert to the Basic Benefit the first of the month next following receipt of the contingent annuitant's written consent and a copy of the divorce decree which has incorporated the contingent annuitant's consent to forfeit the benefit.

REDUCTION FACTORS FOR SURVIVOR OPTIONS

Under Joint & Survivor 100% and Joint & Survivor 50% Options, the reduction in the Basic Benefit depends upon the age difference between you and your contingent annuitant. The table in the Appendix gives the percentages of reduction from the Basic Benefit. Information about the percentage received under other circumstances may be obtained by contacting the **HERS** Office. (See page 17 for partial list of reduction factors)

May I elect a lump-sum payment from HERS rather than receive a monthly pension?

Lump-sum payments are not permitted. The only way to draw money from HERS is in the form of a monthly benefit.

APPLYING FOR SERVICE RETIREMENT

For timely processing, you must complete a written application in the Retirement Office about 90 days prior to the month you want to retire. The Retirement Office will also assist you with your retirement application to the Virginia Retirement System (VRS.)

Retirement dates are always the first of the month. For example, if you want to retire on October 1, you would contact the Retirement Office in early July. Your last day of work would be the last workday in September. Your pension would be paid at the end of October and once monthly thereafter.

Your **HERS** pension is paid separately from your VRS pension or any other benefit you may be eligible to receive.

Direct deposit is available to your bank or credit union. For your security and convenience, direct deposit is recommended.

What documents should I bring with me?

You need to provide the following:

- Evidence of your birth date and, if you elect a survivor option, evidence of your contingent annuitant's birth date. (A birth certificate, baptismal record, census record, hospital or physician's record, military record, and passport are some examples of permissible evidence in order of preference.)
- Your contingent annuitant's Social Security number.
- A deposit slip for your bank or credit union account.
- A recent Social Security estimate if needed for your elected option under VRS.

What about Social Security?

If eligible for Social Security benefits, you must contact your nearest local office about three months before your retirement date. You may want to contact them by telephone for an appointment and find out what documents that they require.

To obtain an estimate prior to retirement, special forms are available in the Retirement Office for your convenience as well as at the Social Security Office.

COMPUTE YOUR BENEFIT

If HERS service credit is 20 OR FEWER YEARS.

STEP 1. Calculate AFC. (Sum of 3 highest consecutive years or 36 months of salary divided by 3.)

STEP 2. Calculate service credit. (Usually membership date subtracted from retirement date.) (See page 16 for decimal equivalents for months)

STEP 3. Divide annual benefit by 12 to calculate monthly HERS benefit. This example assumes retirement with full benefits. It does not include early retirement reduction factors.

i) $\$ \underline{\hspace{2cm}} \text{ (AFC)} \times .02 \times \underline{\hspace{2cm}} \text{ (\# of Yrs)} = \$ \underline{\hspace{2cm}}$

REDUCED BY

ii) $\$ \underline{\hspace{2cm}} \text{ (AFC)} \times .015 \times \underline{\hspace{2cm}} \text{ (\# of Yrs*)} = \underline{\hspace{2cm}}$

Equals Annual HERS Benefit \$

* The VRS service credit used in (ii) above, cannot exceed the credited service under HERS.

EXAMPLE: Dan is age 65 and has 18½ years service credit. With an AFC of \$21,500, Dan's **HERS** benefit is:

May I work after retirement?

Yes. As a service retiree, you may work in any job not covered by HERS without affecting your pension. However, if you return to a full-time salaried position with the City or School System, your HERS pension will stop and you will be re-enroll in HERS and earn additional service credit. When you retire again, your monthly pension will be recalculated to include your additional service credit and salary, if greater than your previous salary.

NOTE: There are provisions under Social Security controlling the maximum amount you may earn and still receive benefits. These amounts change annually, therefore, check with the Social Security Office nearest you.

DEFERRED SERVICE RETIREMENT

What if I stop work before I am old enough to retire?

If you are vested and stop working for the City or School System before age 50, you will be eligible for a monthly benefit on or after your 50th birthday if you have at least 10 years of service with **HERS**. With 5 years but less than 10 years credit you will be eligible for a monthly benefit the month following your 55th birthday. If you stop working and are not yet eligible to retire, **HERS** will provide information on your deferred benefit. The formula for calculating the **HERS** pension uses your average final compensation and credited service earned up to the time you stop working.

Pension payments do not begin automatically, you must apply for them. Contact the Retirement Office at least 90 days prior to your retirement date. Keep the Retirement Office informed of your current mailing address and name change.

COUNSELING

Is counseling available?

Yes. If you wish to make an appointment for individual counseling, call the City of Hampton Finance Department at **(757) 727-6230** and ask to speak to a retirement advisor. You may also write to **Hampton Employees' Retirement System, 22 Lincoln Street, Hampton, VA 23669**. Include your Social Security number with all requests.

DISABILITY RETIREMENT

What if I become disabled?

If you are injured or become sick and are no longer able to work, HERS will help provide you with an income. You are a candidate for disability benefits if you:

- **Have become mentally or physically unable to perform your present duties and your disability is likely to be permanent;**
- **Have completed at least five or more years of credited service under HERS; and**
- **Apply for benefits under both HERS and VRS while still employed or within 90 days of your termination of employment. (The Retirement Office will assist you in this process.)**

How is my eligibility for disability benefit determined?

If you are approved for disability benefits by the Medical Board of the Virginia Retirement System (VRS), you automatically qualify for a disability benefit from **HERS**. Your benefit will be calculated using the same formula as for service retirement without any reduction for age. If you retire before age 60, the credited service used in the benefit calculation will be the **smaller** of:

- **Twice your actual period of credited service; or**
- **The period of service you would have completed at age 60 had you continued working to that age.**

EXAMPLE: John is disabled at age 45 with 20 years credited service. His disability benefit will be based on 35 years of service because he is 15 years away from age 60 which is smaller than twice his actual period of service (40 years.)

What options are available under disability retirement?

Disabled members may elect the Basic Benefit, Joint & Survivor 100% Option or Joint & Survivor 50% Option. (See page 6 for explanation of options.) For calculations of survivor options, the disabled member is always considered age 65 on the date of retirement.

EXAMPLE: John is age 46 and elects the J&S 50% Option with his 42 year-old wife as contingent annuitant. Because of his disability, John's age is assumed to be 65 and, since his wife is four years younger, her age is adjusted to 61. By referring to the table on page 21, John would receive 85.5% of his Basic Benefit. With a Basic Benefit from **HERS** of \$380, his J&S 50% Option benefit would be \$324.90 monthly. At John's death, his wife, as contingent annuitant, would receive **one-half** or \$162.45 monthly for the remainder of her lifetime.

When should I apply?

Generally, it takes about three months to gather and review all the relevant medical information. If your doctor recommends disability retirement, you are advised to contact the Retirement Office to apply for benefits well in advance of using all your leave. In this way, you may avoid any lapse in income. You will need to provide evidence of your date of birth and, if you elect the J&S 50% or J&S 100% Option, evidence of the birth date of your contingent annuitant.

Disability applicants must also apply for disability benefits through Social Security Administration. Different procedures are required and you are advised to contact their office for additional information.

If I retire on disability, may I work and still receive my pension?

With the exception of Social Security, you may return to work without any earnings limitations. However, your disability pension would be discontinued if you were reemployed:

- **In a position covered by HERS, OR**
- **In a position similar to the one you were found to be disabled to perform.**

If you return to a full-time position with the City of Hampton or Hampton School System, you would again participate in **HERS**. When you retire again, your benefit would be recalculated to include the additional service credit.

NOTE: Individuals receiving disability benefits from the Social Security Administration should always contact their local office for information about returning to work.

DEATH IN SERVICE

What if I die before retiring?

If you die before retiring, **HERS** will help protect the financial security of your spouse or dependent parent. For your spouse or dependent parent (in that order) to be eligible for a survivor benefit, you must, at the time of your death, be an active **HERS** member and:

- **Have attained your 50th birthday and completed 20 or more years service credit, OR**
- **Have attained your 55th birthday and completed five or more years of service credit.**

The survivor benefit would be equal to **ONE-HALF** the amount you would have received had you retired on the date of your death and elected the J&S 50% Option.

COST-OF-LIVING ADJUSTMENTS

Do retirees receive cost-of-living increases?

Automatic increases are not provided under **HERS**. However, VRS and Social Security provide periodic increases.

TAXES

Is my pension taxable?

Your **HERS** pension will be subject to federal income tax and in some cases state income tax. You should always check with your personal tax advisor or the Internal Revenue Service and local State Tax Office concerning your liability for taxes.

A statement (Form 1099R) of your **HERS** income paid during the previous year will be sent to you each January. You will be asked to file a W4P form for federal income tax withholding and a VA-4P form for Virginia state income tax withholding. It is important that you do so since penalties may be imposed if you do not pay a certain percentage of your tax liability during the year either through payroll deductions and/or estimated tax payments. If you do not file a federal form W-4P the law required **HERS** to withhold taxes based on the assumption that you are married and claiming three withholding allowances. Virginia law required withholding assuming zero exemptions if you do not file the VA-4P form.

GLOSSARY

ACTIVE MEMBER: An employee working in a **HERS** covered position

ACTUARY: A statistician who estimates future funding needs of the plan based on rates of mortality, disability, turnover, ages of retirement

ANNUITANT: A beneficiary who receives a monthly retirement benefit for life; may be a retiree or survivor

AVERAGE FINAL COMPENSATION (AFC): Average of a member's highest 36 consecutive months of creditable compensation

CHAPTER 28: The section of the Hampton City Code that sets forth the basic provisions of **HERS**

COMPENSATION: Your annual salary, excluding overtime

CONTINGENT ANNUITANT: A person designated to receive a lifetime benefit upon the death of the primary annuitant (the primary annuitant is the member who elects the J&S 100% or J&S 50% Option upon retirement)

DEATH-IN-SERVICE BENEFIT: A lifetime benefit received by a qualified spouse or dependent parent (in that order) of an active member whose death occurred while in a position covered by **HERS**

DEFERRED SERVICE RETIREMENT: A retirement benefit that is received after age 50 (if the member has 10 or more years service credit) or after age 55 (if the member has between 5 and 10 years service credit) by a **HERS** vested member who terminated work before retirement age

DIRECT DEPOSIT: A safe and efficient banking process that allows for the electronic transfer of monies into an individual's checking or savings account

DISABILITY: An illness or injury that mentally or physically renders a person unable to perform job duties and that is likely to be permanent

INACTIVE MEMBER: **HERS** member who is not working in a covered position and has credit for service rendered while employed by the City of Hampton or Hampton School System

PENSION: A regular monetary payment made to a member who has worked a certain number of years, attained a certain age and retired

SURVIVOR OPTIONS: Payment modes enabling a **HERS** member to name a survivor to receive a monthly benefit upon the member's death (J&S 100% or J&S 50% Option)

VESTED: The right to receive a pension upon attaining age 55 with 5 years of **HERS** service credit or 10 years if the member stopped work prior to July 1, 1970

VRS: Virginia Retirement System

DECIMAL EQUIVALENTS FOR MONTHS

1	---	.0833
2	---	.1667
3	---	.25
4	---	.3333
5	---	.4167
6	---	.5
7	---	.5833
8	---	.6667
9	---	.75
10	---	.8333
11	---	.9167

EXAMPLE: 10 years 11 months service credit would be shown as 10.9167.

Reduction Factors ~ Effective 2/1/92

J&S 100% Option Factors

Age of CA	Age of Member					
	60	61	62	63	64	65
61	0.812	0.800	0.787	0.774	0.760	0.746
60	0.805	0.793	0.780	0.766	0.752	0.738
59	0.798	0.785	0.772	0.758	0.744	0.729
58	0.791	0.778	0.765	0.751	0.736	0.721
57	0.784	0.771	0.757	0.743	0.728	0.712
56	0.777	0.764	0.749	0.735	0.719	0.704
55	0.770	0.756	0.742	0.727	0.711	0.695
54	0.763	0.749	0.734	0.719	0.703	0.687
53	0.756	0.742	0.727	0.711	0.695	0.678
52	0.749	0.734	0.719	0.703	0.687	0.670
51	0.742	0.727	0.711	0.695	0.678	0.661
50	0.735	0.720	0.704	0.687	0.670	0.653

J&S 50% Option Factors

Age of CA	Age of Member					
	60	61	62	63	64	65
61	0.896	0.889	0.881	0.873	0.864	0.855
60	0.892	0.885	0.876	0.867	0.858	0.849
59	0.888	0.880	0.871	0.862	0.853	0.843
58	0.883	0.875	0.867	0.858	0.848	0.838
57	0.879	0.871	0.862	0.853	0.843	0.832
56	0.875	0.866	0.856	0.847	0.837	0.826
55	0.870	0.861	0.852	0.842	0.831	0.820
54	0.866	0.856	0.847	0.837	0.826	0.814
53	0.861	0.852	0.842	0.831	0.820	0.808
52	0.856	0.847	0.837	0.826	0.814	0.802
51	0.852	0.842	0.831	0.820	0.808	0.796
50	0.847	0.837	0.826	0.814	0.802	0.790

This is a partial listing of factors. A complete listing is available in the Retirement Office, Finance.

CA = Contingent Annuitant