



EMPLOYEES' RETIREMENT SYSTEM MEMBER HANDBOOK

City of Danville



This handbook is intended to be a quick reference in answering questions with respect to benefits and privileges of membership in the Employees' Retirement System of the City of Danville, Virginia (ERS). It will provide you with a basic understanding of the ERS. It is not a legal document and if a discrepancy exists between any statement set forth in this handbook and any provision of the law, the provision of the law will be the final authority. If questions or concerns relating to benefits are not answered in this handbook, the member should call or write the ERS Coordinator or the Executive Secretary at the following address:

Employees' Retirement System of the
City of Danville, Virginia
Municipal Building – 3rd floor
P. O. Box 3300
Danville, Virginia 24543
(434) 799-5241



CONTENTS

PLAN INFORMATION	5
Plan Name	5
Plan Description	5
Administration	5
Provisions of Law	6
Funding	6
Plan Year	7
MEMBERSHIP	7
COST	7
EMPLOYEE GROUPS	8
CREDITABLE SERVICE	8
Prior Service Credit	8
Purchase of Prior Service Credit	9
Cost to Purchase Prior Service Credit	9
Portability	9
Sick Leave	10
ANNUITY SAVINGS ACCOUNT	10
VESTING	11
Deferred Vested Benefits	11
AVERAGE FINAL COMPENSATION	12
SERVICE RETIREMENT	12



HOW TO CALCULATE GENERAL EMPLOYEE UNREDUCED RETIREMENT BENEFITS	13
HOW TO CALCULATE PUBLIC SAFETY EMPLOYEE UNREDUCED RETIREMENT BENEFITS (EMPLOYEES THAT LEFT EMPLOYMENT VESTED ON OR BEFORE AUGUST 31, 2018)	14
HOW TO CALCULATE PUBLIC SAFETY EMPLOYEE UNREDUCED RETIREMENT BENEFITS (<i>EMPLOYEES THAT LEFT EMPLOYMENT VESTED ON OR AFTER SEPTEMBER 1, 2018</i>)	15
EARLY RETIREMENT	16
APPLYING FOR SERVICE OR EARLY RETIREMENT	17
DIRECT DEPOSIT	18
RETIREMENT OPTIONS	18
DISABILITY RETIREMENT	21
Calculating Disability Retirement Benefits	22
Disability Retirement Options	22
Taxes on Disability Retirement Benefits	22
Disability Income Report	22
DEATH-IN-SERVICE BENEFITS	23
BENEFICIARY INFORMATION	24
TERMINATION OF EMPLOYMENT	25



AFTER RETIREMENT	27
Cost-of-Living Adjustments (COLAs)	27
Taxes	28
Working after Retirement	28
Divorce and Retirement Benefits	29
Changing Benefits after Retirement	30
Change of Address	30
Death Benefits	30
PUBLICATIONS	31
GLOSSARY	32



Plan Information

Plan Name

Employees' Retirement System of the City of Danville, Virginia

Plan Description

The Employees' Retirement System of the City of Danville, Virginia (ERS) is a defined benefit retirement plan established by City Council on January 1, 1946 for the purpose of providing retirement, disability and death-in-service benefits to all regular, full-time employees of the City of Danville (City). For employees hired on or before August 31, 2019, the ERS is a non-contributory plan with all contributions paid by the City. Employees hired on or after September 1, 2019, contribute a portion of the required contribution amount each pay period. These contributions are added to the assets accumulated from prior contributions and investment earnings, which then provide the funds for benefit payments.

The ERS exists for the purpose of providing its members and their beneficiaries with retirement benefits. It is the responsibility of the member to understand his rights and responsibilities in becoming eligible for benefits.

Administration

The general administration, management and responsibility for the proper operation of the ERS are vested in the Board of Trustees. The Board consists of nine (9) members as follows:

- Three (3) trustees, who are citizens of the City and not members of the ERS, are appointed by City Council for terms of two (2) years;
- Three (3) trustees, who are City employees and have at least five (5) years of creditable service in the ERS, are elected by City employees who



are members of the ERS for terms of two (2) years;

- Three ex-officio members, which include the City Manager, Mayor or Mayor Designee, and City Director of Finance.

The normal administrative duties required on an ongoing basis by the ERS are assigned to the Executive Secretary appointed by the Board of Trustees. The ERS Coordinator and the ERS Secretary coordinate the day-to-day activities. Benefits are administered in accordance with the City Code.

The current Board of Trustees members and Executive Secretary are available on the City's website and as requested of the Finance Department.

The Board of Trustees meets on a quarterly basis on the Friday before the second Tuesday in the months of February, May, August and November. These meeting dates are subject to change at any time as approved by the Board of Trustees. Please contact the Finance Department for details.

Provisions of Law

The ERS is governed by the provisions of Chapter 32 of the Code of the City of Danville, Virginia and Ordinances adopted by City Council. Changes to the City Code can only be made by City Council. The City Code provides the Board of Trustees no authority to modify or change the benefits to members. Benefit changes or adjustments will not be considered by the Board.

Funding

The ERS is funded by employer and employee contributions, together with investment income. The amount of City contributions is based on the total base payroll for active members at a rate established by the City Council. Each year the Actuary utilized by the ERS determines the contribution level deemed appropriate to maintain the ERS on a sound



financial basis. Then, the Board of Trustees makes a financially sound recommendation to City Council, and City Council sets the contribution rates for the next fiscal year budget.

ERS funds are separate from other City funds and are invested and administered solely in the interest of members, retirees, and beneficiaries of the ERS.

Plan Year

Records are kept on a fiscal year basis. The plan year is July 1 through June 30.

Membership

Membership in the ERS is a condition of employment for all full-time employees.

Effective October 1, 1991, all regular, full-time employees of the City become members of the ERS on the date of employment.

During the hiring process, employees are required to complete membership forms, be sure all retirement application form information is complete and accurate. Incomplete and inaccurate forms may result in errors in your retirement account.

Cost

For employees hired on or before August 31, 2019, there is no cost to the employee to join the ERS. The ERS is a non-contributory defined benefit retirement plan. All contributions are paid by the City.

Employees hired on or after September 1, 2019, contribute the lesser of 50% of City Council's annually adopted contribution rate or the Virginia Retirement System's Hybrid Plan's current contribution rate through payroll deduction. The City contributes the remaining portion of the required contribution.



Employee Groups

There are two (2) groups of employees covered by the ERS:

Group 1 – General Employees

Group 2 – Public Safety Employees (Fire & Police)

The operational provisions are the same for both groups of employees; however, the benefits are different. Public safety employees have higher benefits because they do not participate in the Social Security System. Public safety personnel employed after April 1, 1986 are covered by the Medicare provisions of the Social Security Act but are not eligible for retirement benefits under the Social Security Act for wages earned while employed with the City.

Each member is classified as a general employee or as a public safety employee. When the duties of a member change, the member is reclassified.

Creditable Service

Creditable service is the total service as a regular, full-time employee of the City. Creditable service consists of a member's service credit, any prior service credit, service credit received through portability and up to one year of unused sick leave.

The amount of creditable service you have is one of the factors that determine if you are eligible for retirement benefits and the amount of benefits to which you are entitled.

Prior Service Credit

Prior service credit is either: (a) service that has been forfeited by an employee when they terminated employment and elected to withdraw contributions as forfeiture of service is a condition of the withdrawal; or (b) prior service credit accumulated during a previous employment with the City.



Purchase of Prior Service Credit

Employees with at least five (5) years of credible service to the City are eligible to purchase any retirement allowance service that was forfeited. Members must purchase service while they are actively employed in a covered position or within ninety days of termination.

Cost to Purchase Prior Service Credit

The cost to purchase prior service credit will be at a rate of 15% for each year of service purchased for general employees and at a rate of 20% for each year of service purchased for public safety employees. The rate for each year of service purchased is multiplied by the higher of:

- a) Current salary;
- b) Salary as of last date in service (if member is within ninety days of termination); or
- c) Average final compensation during the thirty-six highest months of creditable service.

Any prior service credit purchased must be paid either in one lump sum or by payroll deduction. Purchased service cannot be used to satisfy the thirty-year service required for full benefits, nor can it be doubled in determining service to be used in computing the amount of disability retirement benefits.

Portability

Portability is an agreement between the Board of Trustees of the ERS and the Virginia Retirement System (VRS) or another public retirement system in Virginia. The ERS currently has a portability agreement with the VRS. If any member of the ERS has vested service in the VRS, he may be able to transfer the value of the benefit in that system to the ERS. Members may purchase any creditable service in the VRS that is not credited in the ERS at the same cost as purchase of prior service credit. For each year of non-transferred time, the member shall pay 15% of current salary for general employees and



20% of current salary for public safety employees (police and fire).

Sick Leave

At retirement, the amount of unused sick leave accumulated as of the retirement date may be added to creditable service or a member may elect to be paid for unused sick leave. If the member elects to be paid for unused sick leave, it shall be paid at the rate of \$1.50 per hour with a maximum of 960 hours. The maximum credit of accumulated sick leave to be added to creditable service is one (1) year.

When unused sick leave is added to creditable service, it can be used to satisfy thirty-year service requirements. Therefore, if a member has twenty-nine (29) years of service and one (1) year of accumulated sick leave, he is eligible for full retirement benefits.

If a member terminates employment or is dismissed from employment, accumulated sick leave shall not be added to years of creditable service.

Annuity Savings Account

Employees hired prior to March 1, 1979 were required to make contributions to the ERS at the rate of 5% for general employees and 6 ½% percent for public safety employees. The percentage was applied to regular compensation, excluding overtime and special pay. The contributions were placed in the Annuity Savings Account with separate accounting for each member. The contributions paid by the member are non-taxable.

As of March 1, 1979, the City began paying all contributions to ERS, including contributions to the Annuity Savings Account formerly made by members. The City began paying contributions in lieu of a cost-of-living adjustment; therefore, any member hired before October 1, 1991 will increase average final compensation by the rate of such contributions.



Effective October 1, 1991, all new employees hired by the City became members of the ERS on the date of employment; however, they are not eligible to accumulate any Annuity Savings Account.

The Annuity Savings Account earns 5% interest, compounded annually, on contributions. The amount of contributions, plus interest, in the account is used to fund a portion of retirement benefits.

Employees with an Annuity Savings Account may withdraw contributions once employment is terminated, as discussed on page 18 under “Termination of Employment.”

Vesting

Members of the ERS become vested once five years of creditable service has accumulated. If a vested member terminates employment and does not withdraw funds from the Annuity Savings Account (if applicable), they retain the right to a future benefit upon reaching retirement age.

Deferred Vested Benefits

Deferred benefits are based on the City Code at the time of termination from the City. The formula used to calculate benefits is the same formula used for normal retirement. A vested terminated member should notify Human Resources (HR) once they become eligible for retirement benefits.

By electing not to receive a monthly retirement benefit until normal retirement age, you can receive a higher benefit. The benefit will be higher because the closer you are to normal retirement age upon receiving retirement benefits, the less the reduction in your benefit due to early retirement. There is no reduction for age after you reach normal retirement age.

If your retirement was vested when you left service and you did not withdraw your Annuity Savings Account (if applicable), you will automatically receive credit for your previous service



when you return to service. You will also begin earning credit for your new service when you return to service.

Average Final Compensation

Average final compensation is the average annual creditable compensation (usually salary) of a member during the 36 consecutive months of creditable service that will produce the highest average.

Service Retirement

A member is eligible to receive unreduced retirement benefits upon reaching normal retirement age. Normal retirement age is age 65 for general employees, age 60 for public safety employees. A general employee member may retire with an unreduced benefit as early as age 55 with 30 years of service. A public safety member that left employment vested on or before August 31, 2018, may retire with an unreduced benefit at age 55 with 30 years of service. A public safety member that left employment vested on or after September 1, 2018, may retire with an unreduced benefit at age 50 with 25 years of service.

Retirement benefits are based on three factors:

1. Member's average final compensation
2. Member's years of creditable service
3. Member's age at retirement



How to Calculate General Employee Unreduced Retirement Benefits

Once you know your length of service, average final compensation and age, you can compute the approximate amount of your retirement benefit.

The basic formula for calculating retirement benefits for general employees is the average final compensation minus \$9,500, multiplied by 1.82%, plus \$134.90, times the number of years of creditable service. This will give you your approximate annual pension.

Example: this shows the benefit calculation for a member with an average final compensation of \$21,000 and a total of 30 years of service credit.

1. Add the highest 3 consecutive years of salary

\$20,000
\$21,000
\$22,000
\$63,000

2. Divide by 3 years to get average final compensation (\$63,000 divided by 3 years)

\$21,000

3. Subtract \$9,500 (\$21,000 - \$9,500)

\$11,500

4. Multiply by 1.82% (\$11,500 X 1.82%)

\$209.30



5. Add \$134.90 (\$209.30 + 134.90)

\$344.20

6. Multiply by total years of service. This is the approximate annual benefit amount (\$344.20 X 30 years)

\$10,326

7. Divide by 12 months to get the approximate monthly benefit (\$10,326 divided by 12 months)

\$860.50

How to Calculate Public Safety Employee Unreduced Retirement Benefits (Employees that left employment vested on or before August 31, 2018)

Once you know your length of service, average final compensation and age, you can compute the approximate amount of your retirement benefit.

The basic formula for calculating the annual pension benefits for public safety employees is the average final compensation times 2%, times the number of years of creditable service.

Example: The example shows the benefit calculation for a member with an average final compensation of \$21,000 and a total of 30 years of service credit.

1. Add highest 3 consecutive years of salary

\$20,000

\$21,000

\$22,000

\$63,000



2. Divide by 3 years to get average final compensation (\$63,000 divided by 3 years)

\$21,000

3. Multiply by 2% (\$21,000 X 2%)

\$420.00

4. Multiply by total years of service. This is the approximate annual benefit amount (\$420.00 X 30 years)

\$12,600

5. Divide by 12 months to get the approximate monthly benefit (\$12,600 divided by 12 months)

\$1,050

How to Calculate Public Safety Employee Unreduced Retirement Benefits *(Employees that left employment vested on or after September 1, 2018)*

Once you know your length of service, average final compensation and age, you can compute the approximate amount of your retirement benefit.

The basic formula for calculating the annual pension benefits for public safety employees is the average final compensation times 2.2%, times the number of years of creditable service.

Example: The example shows the benefit calculation for a member with an average final compensation of \$21,000 and a total of 30 years of service credit.



1. Add highest 3 consecutive years of salary

\$20,000
\$21,000
\$22,000
\$63,000

2. Divide by 3 years to get average final compensation (\$63,000 divided by 3 years)

\$21,000

3. Multiply by 2.2% (\$21,000 X 2.2%)

\$462.00

4. Multiply by total years of service. This is the annual benefit amount (\$462.00 X 30 years)

\$13,860

5. Divide by 12 months to get the monthly benefit (\$13,860 divided by 12 months)

\$1,155

Early Retirement

A general employee member may elect to retire as early as age 55 with less than 30 years of service credit. A public safety member, who left the system vested on or before August 31, 2018, may retire as early as age 55 with less than 30 years of service credit. A public safety employee member retiring from active status or who left the City vested on or after September 1, 2018, may choose to retire as early as age 50 with less than 25 years of service credit. If this election is made, a reduction is calculated as follows:



General employees' normal benefits are reduced by 4.8% times the lesser of:

- a) The number of years that retirement occurs prior to age 65, or
- b) The number of years the member's creditable service is less than 30 years.

Examples:

Retirement at age 55 with 27 years of service – the reduction is 14.4% (3 years X 4.8%)

Retirement at age 63 with 27 years of service – the reduction is 9.6% (2 years X 4.8%)

Public safety employees' normal benefits are reduced by 2 1/6% times the lesser of:

- a) The number of years that retirement occurs prior to age 60, or
- b) The number of years the member's creditable service is less than 30 years.

Examples:

Retirement at age 55 with 27 years of service – the reduction is 6 ½% (3 years X 2 1/6%)

Retirement at age 58 with 27 years of service – the reduction is 4 1/3% (2 years X 2 1/6%)

Applying for Service or Early Retirement

To apply for service or early retirement:

- File an application in HR at least 30 days prior to your retirement date. HR is located on the 3rd floor of the Municipal Building in Room 300. You must



also complete federal and state income tax withholding forms and a direct deposit form.

- The HR Consultant will provide the member with a projection of their retirement allowance.
- The HR Consultant will also discuss other retirement benefits including health and life insurance.

Retirement dates are always the first of the month.

Direct Deposit

The ERS uses electronic transfer to deposit benefit payments directly in the checking or savings account designated by the retiree. Benefit payments are made to the account on the last working day of each month.

If the member changes financial institutions they will need to notify their HR Consultant at least 30 days before the change or they may see a delay in their benefit payment.

Retirement Options

At retirement, a member may elect one (1) of the five (5) different options for receiving your retirement benefit payments. All benefits are based on Option 1 or a derivative of this Option. Option 1 is referred to as the Basic Benefit Option. If no option is elected, the member will be assumed to have automatically retired under Option 1.

Option 1 (Basic Option)

This benefit provides an unreduced retirement allowance payable during the lifetime of the retired employee, with the provision that at the time of his death the balance remaining in the Annuity Savings Account, if any, shall be paid to his designated beneficiary or estate. The



refund of an annuity reserve balance is available only to beneficiaries of members employed prior to October 1, 1991. A portion of the benefit is paid from the annuity. This option provides the maximum amount of pension per month to which the member is entitled. Changes cannot be made once the date of retirement has passed.

Option 2 (100% Survivor Option)

The 100% survivor option provides a reduced retirement allowance of equivalent actuarial value to Option 1 throughout the lifetime of the retired employee, with the provision that at the retiree's death the same monthly amount would continue throughout the lifetime of the contingent annuitant. The IRS limits the percentage of benefit payable to a non-spouse contingent annuitant.

Option 3 (50% Survivor Option)

The 50% survivor option provides a reduced retirement allowance of equivalent actuarial value to Option 1 throughout the lifetime of the retired employee, with the provision that at the retiree's half of the monthly benefit would continue throughout the lifetime of the contingent annuitant.

Option 4 (Special Survivor Option)

The special survivor option provides a reduced retirement allowance of equivalent actuarial value to Option 1 throughout the lifetime of the retired employee, with the provision that at the retiree's death some other benefit would continue throughout the lifetime of the contingent annuitant. Use of this option is subject to approval by the Board of Trustees.

Option 5 (Leveling Option)

The leveling option provides a retirement allowance of equivalent actuarial value to Option 1 payable during the lifetime of the retired member, with a greater monthly retirement allowance from retirement age to age sixty-five and less retirement allowance following age sixty-five, so that the combined benefit from the ERS and from



Social Security Benefits would be level. Under this option, there are no beneficiary benefits; all benefits stop at the death of the retiree.

Lump Sum Payment

If the actuarial equivalent of a retirement allowance is \$10,000 or less, such actuarial equivalent shall be paid to the member or member's beneficiary in full settlement of benefits.

Retirement options are elected at retirement. Any member may elect to change their retirement option until the first payment of retirement allowance is due. Thereafter, such election may only be changed if the retiree has elected a survivor option at retirement. If a member selects a survivor option, their option can change if any of the following occur:

- The member's original beneficiary dies
- The member obtains a divorce from the original beneficiary and the marriage has been for a duration of less than twenty years or
- The member has written consent from the original beneficiary

Then, a retired member who has elected a retirement allowance under Options 2, 3, or 4 may, for one time only, revoke such election and elect one of the following options:

- Elect to return to the Basic Option (Option 1) or
- Elect to name a different beneficiary under Option 2, 3, or 4.



Disability Retirement

Any member that is vested in the ERS and can no longer perform their job responsibilities due to injury or illness may be eligible for disability retirement benefits.

If you are applying for disability retirement benefits, the City Code requires that you apply while you are still employed. This means you are still actively working or you are on leave. You are not eligible to apply for disability retirement benefits after termination of employment. It does not matter whether the termination is voluntary or involuntary. The key point is that you must be an active member of the System.

Any member or the head of the member's department may apply for a disability retirement allowance on behalf of the member. Contact the Human Resources (HR) Department for medical forms that must be completed before an application for disability benefits will be reviewed.

The member must furnish a written report from his personal physician recommending disability retirement and certifying that the member is mentally or physically totally incapacitated for the performance of duty and such incapacity is likely to be permanent.

Upon submission of the above forms, the HR Consultant will arrange for examination by two Medical Board members.

Upon receipt of the reports from the Medical Board, the employees designated by the Board of Trustees shall approve or disapprove the application.

Approval of the disability retirement application shall be not less than thirty (30) days or more than ninety (90) days from the filing.



Calculating Disability Retirement Benefits

The formula for calculating disability retirement benefits is the same as the service retirement calculation, with two exceptions:

1. Actual creditable service is doubled not to exceed the creditable service the employee would have accumulated if he had worked to age 60.
2. There is no reduction in benefits for retirement prior to normal retirement age.

Regular disability retirement benefits and work-related disability retirement benefits are calculated in the same manner. If you have a job-related disability, you should apply for worker's compensation benefits, which are administered through the City's Human Resources Department. Any amounts payable under the provisions of worker's compensation will be offset against the retirement benefits.

The minimum disability retirement allowance is twenty-five (25) percent of the member's average three-year compensation.

Disability Retirement Options

Disability retirement options are the same retirement options available for a regular or early service retirement.

Taxes on Disability Retirement Benefits

Disability retirement benefits are based on the same formula as service or early retirement benefits and, therefore, are subject to federal and state income taxes.

Disability Income Report

Questionnaires are sent to all retirees receiving disability retirement allowances on an annual basis to determine whether such person is engaged in gainful employment. Questionnaires shall continue until the member would have



been eligible for normal retirement based on age and service had the member remained uninjured and employed.

Should a disabled retiree begin working while receiving a disability retirement benefit and earn more than the difference between his disability retirement benefit and his average final compensation at retirement, his disability retirement benefit will be reduced.

Death-in-Service Benefits

If a member of the ERS should die while in service to the City of Danville, the designated beneficiary could receive a monthly benefit for life. Death benefits are paid to the member's designated beneficiary. Members should keep their beneficiary form up-to-date to ensure that benefits are paid promptly and properly. To be eligible for a monthly benefit, the designated beneficiary must be a spouse, minor child, mother or father. If the beneficiary is a minor child, benefits will cease when the child reaches the age of eighteen. Member must have five (5) years of creditable service to be eligible for death-in-service benefits.

Factors used in the formula to calculate the monthly benefit are:

- Member's age
- Member's average final compensation
- Member's years of creditable service
- Age of the member's beneficiary

Options:

- If death occurs before age 55, the designated beneficiary would receive a monthly benefit equal to one-half of the retirement benefit the member would have received had the member selected Option 3 on the day of death. If the member is not age 55 at the time of death, age 55 will be assumed for the purpose of reducing the benefit on an actuarial equivalent basis



- If death occurs after age 55, the beneficiary would receive a monthly benefit equal to the retirement benefit the member would have received had the member selected Option 2 on the day of death.

When calculating death-in-service retirement benefits, actual years of creditable service are used and reductions for retirement prior to normal retirement age apply.

In lieu of the death-in-service benefit, the beneficiary may elect a lump-sum payment of the balance in the Annuity Savings Account providing the deceased employee was employed prior to October 1, 1991.

Beneficiary Information

It is important to keep your beneficiary designation current to ensure that benefits are paid according to your wishes.

You can change your beneficiary designation at any time by giving written notice to HR. Forms are available in HR.

All retirement records are confidential. Retirement personnel will need permission from the member to talk to your spouse or designated beneficiary concerning your retirement.

In the event no beneficiary designation is made, proceeds shall be paid to the person surviving at the death of the member in the following order of precedence:

- First, to the widow or widower of such member,
- Second, to the child or children of such member,
- Third, to the parents of such member,
- Fourth, to the duly appointed executor of the estate of such member,
- Fifth, to other next of kin of such member.



Termination of Employment

Employees hired prior to October 1, 1991, who terminate employment with the City of Danville, may withdraw contributions and interest in the Annuity Savings Account, or, if employed five (5) or more years, may elect to receive a monthly retirement benefit at a later date.

If the member elects to withdraw contributions, the refund will be paid on the last day of the calendar month following the month in which employment is terminated. When contributions are withdrawn, all creditable service accumulated for retirement benefits is forfeited. A refund can be made in one of two ways:

- a) Direct Rollover is a refund to an Individual Retirement Account (IRA) or another qualified employer plan.
- b) If the withdrawal is paid directly to the terminated employee, the refund is subject to mandatory income tax withholding of 20% federal tax and 4% state tax if you reside in Virginia. If the refund is received before age 59 ½, the member may have to pay a penalty of 10% for early withdrawal.

If the employee elects to receive a monthly retirement benefit at a later date, the following applies:

1. The member must have five (5) or more years of service
2. An unreduced retirement benefit would commence at normal retirement age (age 65 for general employees or age 60 for public safety employees). A general employee is also eligible for an unreduced retirement benefit at at age 55 with 30 or more years of creditable service. A public safety employee who left the City on or before August 31, 2018 is eligible for an



unreduced retirement benefit at age 55 with 30 years of creditable service. A Public Safety employee who left the City on or after September 1, 2018, is eligible for an unreduced retirement benefit at age 50 with 25 years of service.

3. If a general employee member or public safety employee member, having left employment on or before August 31, 2018, elects to receive benefits at age 55 with less than 30 years of service, a reduced benefit would be applicable. The reduction is based on the lesser of the number of years the member's age is less than his normal service retirement age or the number of creditable service years less than 30 years. See the *Early Retirement* section for more information on reduction amounts.
4. If a public safety employee member, having left employment on or after September 1, 2018, elects to receive benefits at age 50 with less than 25 years of service, a reduced benefit would be applicable. The reduction is based on the lesser of the number of years the member's age is less than his normal service retirement age or the number of creditable service years less than 25 years. See the *Early Retirement* section for more information on reduction amounts.
5. The formula used to calculate this benefit uses the member's average final compensation and years of creditable service earned up to the time the member terminated employment with the City.
6. If a terminated member dies before retirement benefits begin, the beneficiary may apply for a refund of contributions in the Annuity Savings Account if the terminated member was employed prior to October 1, 1991



Employees hired on or after October 1, 1991, who terminate employment with the City of Danville, must have five or more years of creditable service to receive a retirement benefit at a later date. Retirement benefits cease at the death of a terminated member hired on or after October 1, 1991.

Employees hired on or after September 1, 2019, who terminate employment with the City of Danville, must have five or more years of creditable service to receive a retirement benefit at a later date. If an employee ceases to be an employee other than by death, with less than five years of employment, the employee's contributions to ERS are returned to the employee as follows:

1. *Refund of accumulated contributions before retirement:* The member receives a mandatory cash-out as soon as administratively possible after the member is no longer employed.
2. *Rollover of lump sum distributions:* If a refund exceeds \$1,000 and the employee is not at normal retirement age or 62 years old, the refund will be made in a direct rollover to an individual retirement plan on the member's behalf, unless the member requests, in writing, that the distribution be made directly to him/her or that the distribution be made to a specified eligible retirement plan(s).

If vested, in order to receive a retirement benefit at a later date, the terminated member must apply for the benefit thirty to ninety days before the benefit is to commence.

After Retirement

Cost-of-Living Adjustments (COLAs)

On December 4, 2012, City Council approved an ordinance amending the City Code to state retirees will no longer receive COLAs, effective July 1, 2013.



On the same date, City Council adopted a resolution to approve a new retiree bonus policy. The retiree bonus policy calls for a one-time bonus for retirees each year that certain criteria are met. In no case would the retiree bonus exceed 100% of a retiree's monthly benefit. The bonuses will be funded directly from the City's budget.

These items are subject to change at any time as approved by City Council.

Taxes

The monthly retirement benefit is subject to state and federal income taxes. The ERS makes every effort to provide you with information, but it is the member's responsibility to comply with federal and state tax laws. To determine actual federal tax liability, the retiree should contact the nearest IRS office or a personal tax advisor. To determine actual state tax liability, the retiree should contact the Taxpayer Assistance Unit of the Virginia Department of Taxation. The ERS will provide an annual 1099-R (similar to W-2) form in January of each year.

Employees hired prior to March 1, 1979, were required to make contributions to the ERS. A portion of each monthly retirement benefit is drawn from those contributions and is not taxable. The IRS safe harbor method is used to determine the monthly non-taxable portion of benefits.

A member may start, stop or change the amount of federal or state withholding on their benefit at any time by requesting a form from HR.

Working after Retirement

A retiree may engage in gainful employment without affecting normal service or early retirement benefits provided the employment is not covered under the ERS. However, if the member retires under disability retirement benefits and engages in or is able to engage in a gainful occupation, a reduction in the disability retirement allowance may be



applicable if the retiree has not attained normal service retirement age.

If a retiree returns to work in a position covered by the ERS, retirement benefits stop and he becomes a member of the system. If the member retires again, they must select the same retirement option as before.

Divorce and Retirement Benefits

The City Code authorizes the ERS to assign benefits in compliance with an Approved Domestic Relations Order (ADRO). The ERS is not governed by the Employee Retirement Income Security Act (ERISA). Before ERS can divide the retirement benefit of a member in a divorce settlement, an ADRO must be issued by a court and accepted by ERS. The ERS will not make payments under an ADRO until the member applies for and begins receiving retirement benefits.

An ADRO must include the following:

- The order must be a certified copy of a court order
- The order must include the name, social security number and mailing address of both the member and the former spouse
- The order must order payment directly to the former spouse
- The order must clearly state the former spouses share of the member benefits

ERS cannot create a separate account for the former spouse or divide the member benefits into separate accounts.

A domestic order can be a percentage of the member retirement benefits or a flat dollar amount.

A domestic order may not:

- Require the payment of benefits or options not provided under the plan
- Require payment of increased benefits



- Require the former spouse to be notified of any changes
- Require benefits to be paid before the member benefits are paid
- Reference ERISA

ERS does not enforce or monitor any beneficiary designation. The former spouse is required to complete tax and direct deposit forms.

Virginia law requires death benefits to be paid as if the former spouse had predeceased the member.

The monthly benefits paid to the former spouse terminate at the death of the member.

Changing Benefits after Retirement

Once retirement benefits begin, the option you have chosen is irrevocable unless you elected a survivor option (Option 2, 3 or 4) at retirement. See page 18. If no option is elected, the member will be assumed to have automatically retired under Option 1. Members retiring under Option 1 may change the beneficiary designation.

Change of Address

You should report any change of address to the Retirement Office as soon as possible. The ERS mails statements each month concerning your benefits and other important information to the mailing address on file.

Death Benefits

Upon a member's death, the death benefit payment, if any, will depend on the option you selected at the time of your retirement.

If a member selected Option 1 (Basic Option) at retirement, at their death the designated beneficiary will receive a lump sum of the balance in the Annuity Savings Account (if any). If the member selected Options 2, 3 or 4 (Survivor Options), the



survivor will receive the appropriate monthly benefit. Under Option 5, there are no benefits after the member's death.

Publications

The ERS provides its members with two annual publications that are distributed at the end of each fiscal year. These publications include:

- **Benefit Statement** - a personalized annual statement which indicates total contributions plus interest in the members Annuity Savings Account, projected retirement benefits and the designated beneficiary. Only members hired before October 1, 1991 have contributions plus interest. You should review the Benefit Statement for accuracy. If there are any changes that need to be made to the designated beneficiary, please contact HR.
- **Annual Report to Members** - a report designed to inform employees and retirees of activities of the ERS during the year, which includes benefit changes, an investment summary, unaudited financial statements and current Board of Trustee members.



Glossary

Active Member – regular, full-time employee of the City of Danville, Virginia included in the membership of the System.

Accumulated Contributions – all the amounts deducted from the compensation of a member, together with regular interest plus the sum of all City contributions together with regular interest credited to an individual Annuity Savings Account.

Annual Salary – full compensation per year payable to a member if he worked the full normal working time for his position. It does not include overtime pay, extraordinary pay, bonus pay or termination pay for annual or sick leave.

Actuary – a statistician who estimates future funding needs of the ERS based on rates of mortality, disability, turnover, ages at retirement, rate of investment income and salary trends.

Actuarial Equivalent – equal in value to the amounts the ERS expects a member to receive under different forms of payment.

Annuity – annual payment for life derived from the accumulated contributions of a member.

Annuity Savings Account – an account in which contributions deducted from the compensation of members to provide for their annuities. Any employee hired after September 30, 1991 shall not be eligible to receive any contributions to an Annuity Savings Account.

Average Final Compensation (AFC) – the average annual creditable compensation of a member during the three consecutive years of creditable service which will produce the highest average.



Basic Benefit – the amount paid a retiree based on age, average final compensation and years of creditable service.

Beneficiary – a person designated, in writing to the Employees' Retirement System, by the member to receive any benefits provided by the plan at the member's death.

Benefit Statement – annual report printed for members specifying total contributions and estimated retirement benefits.

Board – the Board of Trustees provided to administer the ERS.

Contingent Annuitant – Any individual selected by the member to receive a lifetime benefit, under a survivor option, at the member's death.

Creditable Compensation – the sum of a member's earnable compensation plus the amount, if any, contributed to the member's Annuity Savings Account based on such earnable compensation.

Creditable Service – membership service prior to retirement plus prior service and accumulated sick leave applied to service.

Death-In-Service – death of an active member whose beneficiary may qualify for an immediate retirement benefit.

Direct Deposit – electronic transfer of benefit payments directly in the checking or savings account designated by the retiree.

Deferred Benefits – a yearly retirement benefit that is received at a later date by a vested member who leaves a covered position.

Direct Rollover – transfer of member contributions at termination from one qualified plan to another plan or an IRA.



Disability Retirement – a retirement benefit due to an illness or injury which mentally or physically renders a person unable to perform job duties and which is likely to be permanent.

Early Retirement – retirement before the normal retirement age.

Earnable Compensation – the full rate of compensation per year that would be payable to a member if he worked the full normal working time for his position.

Employee – any regular and permanent employee of the City whose compensation is fully paid by the City.

Employee Contribution – the monetary contribution paid by the employee into ERS each payroll period. The amount of the contribution is set July 1 of each year and only applies to employees hired on or after September 1, 2019.

ERS – Employees' Retirement System of the City of Danville, Virginia.

Lump Sum Payment – a sum paid in lieu of monthly retirement benefits that have an actuarial equivalent of \$10,000 or less.

Medical Board – physicians appointed by the Board of Trustees to review all disability retirement applications.

Member – any person included in the membership of the ERS.

Member Benefit Statement – annual statement printed for members specifying individual projected retirement benefits.

Normal Retirement Age – General Employee's age 65; Public Safety Employee's age 60.

Pension – annual payments for life derived from money provided by the City.

Portability – an agreement between the Employees' Retirement System and the Virginia Retirement System to transfer



vested assets from one system to the system of active employment.

Refund – return of contributions and interest for employees hired before October 1, 1991, or return of contributions for employees hired on or after September 1, 2019, as requested after termination from the City, which results in a loss of service credit.

Retirement Allowance – a monthly installment of the annuity and the pension paid to the former member.

Service – service as an employee paid by the City.

Service Retirement – normal or early retirement from a covered position by a vested member upon meeting the age and service requirements.

System – The Employees' Retirement System of the City of Danville, Virginia.

Survivor Options – a benefit option that allows a member to leave a monthly retirement benefit to a designated beneficiary payable after the death of the retiree.

Vested – a member is vested after five years of creditable service with the ERS.

Vested Retirement Allowance – a yearly retirement benefit that is received after age 55 by a vested member who terminated employment before retirement age and does not withdraw their contributions or were employed after October 1, 1991.

Withdrawal of Funds – to remove contributions and interest in an Annuity Savings Account upon termination resulting in loss of service credit and canceling the right to a benefit.

Work-Related Disability – disability resulting from a cause found compensable under Worker's Compensation.



Employee Acknowledgement Form

I have received the handbook, and I understand that it is my responsibility to read and understand the regulations governing the Employees' Retirement System of the City of Danville, Virginia or seek assistance to understand such regulations

Since the information and benefits described here are subject to change, I acknowledge that revisions to the manual may occur. All such changes will be communicated through official notices, and I understand that revised information may supersede, modify, or eliminate existing regulations. Should any provisions of this manual be found to be unenforceable and invalid, such finding does not invalidate the entire manual, but only the subject provision.

Employee Signature

Date

Employee Name (print)

Revised November 2020



**CITY OF DANVILLE
EMPLOYEES' RETIREMENT SYSTEM**

P.O. Box 3300
Danville, VA 24543

(434) 799-5241
www.danvilleva.gov