



fairfax

COUNTY

JANUARY 2013

EMPLOYEES'
RETIREMENT
SYSTEM

Retirement Handbook for Active Employees



Introduction

The Fairfax County Employees' Retirement System was established to help provide you with financial security at retirement.

This booklet summarizes your Retirement System ("System") as in effect on January 1, 2013. You can find more detailed information about the System in the County Code (Chapter 3, Article 2). All System benefits are subject to the provisions of the Code of Virginia and the Fairfax County Code, as well as applicable rules, regulations and resolutions of the Board of Trustees of the Retirement System. Those statutes, ordinances, rules, regulations and resolutions are controlling in the event of any conflict with this booklet. The System's plan year ends June 30. Records are maintained on a fiscal year basis.

Fairfax County Retirement Administration Agency

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**also accessible through links on the Fairfax County Government InfoWeb Intranet site and through the Fairfax County Schools web site (<http://www.fcps.edu>).*

To calculate your own estimated retirement benefit, please visit **Web Member Services** at the Retirement Agency website: <http://www.fairfaxcounty.gov/retirement> and click on "Member Area: Secure Log In", in the left navigation bar.

If you should need a sign language interpreter or any type of special accommodation, auxiliary aid, or translation assistance, please call the Retirement Agency at 703-279-8200 or the Virginia Relay Service at 1-800-828-1120 (TDD) or 1-800-828-1140 (voice).

EMPLOYEES' RETIREMENT SYSTEM HIGHLIGHTS

These highlights of your Retirement System show the various benefits the System has to offer. Under "Highlights", there are references to various terms with which you may not be familiar. Plan descriptions start on page 2. Definitions of terms such as creditable compensation, average final compensation, Social Security breakpoint, and Eligibility and Benefit Service start on page 6. Information about retirement eligibility starts on page 13.

PROVISIONS	CONDITIONS	HIGHLIGHTS	PAGE
Membership	You must be a full-time employee, part-time County merit employee or a part-time School employee eligible for other employee benefits.	In most cases, your membership automatically begins on the day you report for work. However, membership is optional if you are an elected official or if you fall into certain other categories.	1
Employee Contributions	Your contributions will depend on whether you are a member of Plan A, B, C or D.	<p>Plans A & C: Contribution = 4% of compensation up to the Social Security taxable wage base* plus 5 1/3% of compensation in excess of the Social Security taxable wage base. <i>*This term is defined on page 3</i></p> <p>Plans B & D: Contribution = 5 1/3% of all compensation</p>	4
Normal Retirement	Plans A, B, C, & D	You are eligible for normal retirement if: <ul style="list-style-type: none"> • you are age 65 with 5 years of eligibility service; or 	13
	• Plans A & B	<ul style="list-style-type: none"> • Plans A & B - on your 50th birthday if you have 30 years or more of eligibility service or at any time thereafter when your age plus years of eligibility service total 80 or more. 	
	• Plans C & D	<ul style="list-style-type: none"> • Plans C & D - on your 55th birthday if you have 30 years or more of eligibility service or at any time thereafter when your age plus years of eligibility service total 85 or more. 	
Deferred Retirement Option Program (DROP)	Benefit formula for Plans A, B, C, & D	See information and examples starting on page 14.	14
	Only those eligible for normal retirement can enter DROP. DROP applications must be completed and received by the Retirement Agency at least 60 days prior to DROP entry date.	DROP allows you to be treated as if you had retired, for the purpose of the retirement plan, while continuing to work and earn a salary for a period of three years. Monthly benefit is credited to a DROP account and earns interest at the rate of 5% for the three years.	17
Early Retirement	You are eligible for early retirement if: <ul style="list-style-type: none"> • you are at least age 50; <u>and</u> • your age plus eligibility service totals 75 or more. 	The formula for normal retirement determines early retirement benefits. However, your benefit is reduced based on your age at early retirement. Also, you are not eligible to receive an additional Pre-Social Security Benefit.	19
Ordinary Disability Retirement	<ul style="list-style-type: none"> • You must have 5 years of eligibility service; <u>and</u> • The Medical Examination Board must certify that you are disabled. 	2% of your average final compensation times creditable service (maximum 30 years). The total benefit is increased by 3%.	22

PROVISIONS	CONDITIONS	HIGHLIGHTS	PAGE
Service-Connected Disability Retirement	<ul style="list-style-type: none"> Your disability must be caused by a job-related accident or disease; <u>and</u> You must apply for Workers' Compensation and Social Security benefits. 	66 ² / ₃ % of average final compensation minus Workers' Compensation benefits and 25% of your initial Social Security benefit.	23
Deferred Vested Benefit	<ul style="list-style-type: none"> You terminate employment for reasons other than death or retirement You have at least 5 years of creditable service; <u>and</u> You leave your contributions in the System. 	<p>You may receive benefits starting on your 65th birthday (or earlier after meeting the age and service requirements for early retirement).</p> <p>The total benefit is increased by 3%.</p>	27
Cost-of-Living Adjustments	Increases apply to normal, early, and disability retirement provisions, and to deferred vested benefits once benefits start.	Each July 1, your pension may be increased (cost-of-living increases are pro-rated during your first year of retirement). The maximum increase is 4%. A cost-of-living increase does not apply to the additional Pre-Social Security Benefit.	28
Death Before Retirement (a) Return of Contributions (b) Spouse's Benefit	<p>To receive the spouse's benefit:</p> <ul style="list-style-type: none"> You must have at least five years of eligibility service at time of death; <u>and</u> Your spouse must be your named beneficiary. 	<p>Your contributions plus interest will be paid to your beneficiary.</p> <p>Your spouse will receive one-half of a benefit calculated under the normal retirement formulas (not including the additional Pre-Social Security Benefit).</p>	28 29
Death After Retirement (a) Return of Contributions (b) Optional Joint and Last Survivor Benefit	<p>To receive the spouse's benefit:</p> <ul style="list-style-type: none"> You must retire under the normal or early retirement provisions, or be eligible for a deferred vested benefit. You must elect the optional spouse's benefit at the time of retirement. 	<p>Your beneficiary will receive the difference (if any) between: (a) your contributions plus interest, and (b) retirement benefits paid to you before your death.</p> <p>You will receive a reduced benefit. After your death, your spouse will receive a percentage of your benefit.</p>	30
Service-Connected Death Benefit	Your death must be caused by a service-connected accident or illness.	Benefit is equal to \$10,000, and is payable in addition to any other System benefits.	32
Withdrawal of Contributions	<ul style="list-style-type: none"> You must terminate employment. You must request a return of your contributions in writing. 	Your contributions plus interest will be refunded. Once you have withdrawn your contributions, you are no longer eligible for any benefits under the Retirement System.	33

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Eligibility and Membership

General

In most cases, you automatically become a member of the System on your date of hire if:

- you are a full-time County merit employee or a part-time County merit employee working at least 20 hours per week,
- you are a School Board employee who is not a substitute teacher and you are in a position where membership in the Virginia Retirement System is not mandatory,
- you are a food service employee of the School Board scheduled to work at least 15 hours per week, or
- you are a crossing guard or a clinic room aide and are eligible to participate in other County fringe benefit programs.

OR, you may be a member of the FCERS if:

- You are a Department of Public Safety Communications (DPSC) employee who elected to remain in this system rather than transfer to the Uniformed Retirement System in October of 2005.
- If you move from a FCPS full-time educational position to a part-time position or non-educational position.

Optional Membership

Membership in the System is optional if:

- you are at least 59¹/₂ when you are hired;
- you are an elected official (or a person appointed to fill a vacancy);
- you are appointed by an elected official as a deputy or assistant;
- you are a constitutional officer.

If you are an employee whose membership in the System is optional, you will become a member unless you elect in writing not to join the System at the time you are hired.

Employees Not Eligible

You are not eligible to become a member of the System if you are hired for a position that is not eligible for benefits (e.g. a non-merit, benefits-eligible or temporary employee).

If you are a member of the System and you change to a job status that is not eligible, you will no longer be an active member in the retirement plan. For example, if you are hired as a County full-time employee and later become a part-time employee who works less than 20 hours a week or are a School Board employee who switches to a position where membership in the Virginia Retirement System (VRS) is mandatory, you will no longer be an active member in the System. You will have the option to withdraw your contributions or leave them in the retirement plan. If you have more than five years of creditable service and leave your contributions in the plan, you will be eligible for a Deferred Vested Benefit (see page 24).

You are not eligible for membership if you are a contributing member (or are eligible to become a member) of one of the following retirement systems:

- Virginia Retirement System
- Fairfax County Police Officers Retirement System
- Fairfax County Uniformed Retirement System

Separate Plans: Plan A, Plan B, Plan C and Plan D

The Employees' Retirement System is made up of four plans: Plans A & B and Plans C & D. Employees hired prior to January 1, 2013 are members of Plan A or Plan B. **All eligible employees whose county or school board employment commenced by reporting to work on or after January 1, 2013, will be automatically enrolled in Retirement Plan C** and the following conditions apply:

- ✓ You must choose whether to stay in Retirement Plan C or switch to Retirement Plan D **WITHIN YOUR FIRST 30 DAYS OF EMPLOYMENT.**

- ✓ You may choose to switch to Plan D (a higher contribution and higher benefit plan) **WITHIN the first 30 days of your employment**. You must use the “Employees’ Retirement System Data/Plan Election Form” to elect your Plan participation.
- ✓ If you do not elect to participate in Plan D **within your first 30 days of Employment**, you will remain in Plan C for the duration of your System membership.
- ✓ You may not change your mind about Plan enrollment at a future date – Your initial choice of Plans is **IRREVOCABLE** after your first 30 days.

If you were previously a member of the Fairfax County Employees’ Retirement System and left your money in the System when you terminated your employment, you must remain in the plan that you were in during your previous period of membership. This “prior service credit” clause means that a re-hired employee might be required to rejoin Plan A, B, C or D. See page 11 for additional information on prior membership service credit in FCERS.

Once you choose your retirement plan, you must stay in the same plan during your entire period of membership.

The basic monetary difference between plans A & C and Plans B & D is that Plans A & C require smaller member contributions than Plans B & D, and Plans B & D provide larger service retirement benefits. See examples on pages 14 and 15.

The basic eligibility difference between Plans A & B and Plans C & D is the eligibility age for normal retirement benefits and maximum accrued sick leave credits. See page 13 for additional information.

Cost

The cost of providing System benefits is paid from three sources:

- 1.) Employee contributions;
- 2.) Employer contributions;
- 3.) Earnings from investments made with the above contributions.

Tax Treatment of Employee Contributions

Before January 1, 1985, your contributions were automatically deducted from your paycheck. Under this method, you paid taxes on your contributions before they were paid into the System.

All contributions into the FCERS after January 1, 1985, will be deducted from your pay on a pre-tax basis. These two methods of contributing differ only in the way your contributions are taxed.

Under the second method, the pre-tax contributions are not considered part of your taxable income and do not appear as such on your form W-2. You will not pay income taxes on these contributions for the year during which they were made.

You will pay taxes at the time you terminate employment if you request a refund or upon retirement when you begin receiving monthly benefits.

Employer Contributions

Your employer contributes a substantial amount to the Retirement System. The Board of Supervisors determines employer contributions based on funding requirements. Employer contributions are in addition to, and generally larger than, your own contributions.

Investment Income

Employer and employee contributions are invested to provide additional income to the System. Assets are invested as directed by the Board of Trustees. The financial statements of the System are audited by an independent accounting firm and are posted on the Retirement Administration Agency's website for review at http://www.fairfaxcounty.gov/retirement/active_employees/publications.htm under the heading "Comprehensive Annual Financial Report".

Special Terms

Throughout this booklet, you will come across certain words or terms that are used often. Knowing what these terms mean will help you understand your benefits.

Creditable Compensation

Your creditable compensation includes all amounts paid to you on which the retirement contributions have been made. This compensation includes the salary paid to you for regularly scheduled hours worked, holiday hours worked, administrative emergency leave worked, and shift differential paid. It does not include special awards or payments made for unused annual leave; and effective July 1, 1993, it does not include overtime. Creditable compensation for those employed in more than one retirement-eligible position will be the total eligible compensation from all positions. Compensation in excess of \$200,000 annually as indexed for those hired before July 1, 1996 or \$150,000 annually as indexed for those hired on or after July 1, 1996 will be disregarded, as required by federal law.

Average Final Compensation (AFC)

Average Final Compensation (AFC) is the average of your creditable compensation for the 36 consecutive months of employment during which you earned your highest average annual compensation (78 consecutive pay periods for members who are paid bi-weekly).

If you are applying for a Service-Connected Disability retirement, your AFC will be calculated as if you had continued to receive wages during the period before your retirement when you were receiving Workers' Compensation. Your updated salary will include any pay-for-performance increments and cost-of-living and/or market adjustments that you would have received during that time.

Unused sick leave at the time of retirement may be substituted for an equivalent period (subject to the limitation on employees whose county or school board employment commenced by reporting to work on or after January 1, 2013) of employment as if you had continued to work at your final salary during the period of your unused sick leave. The retirement system will use the method that results in the higher retirement benefit for you.

For employees whose county or school board employment commenced by reporting to work before January 1, 2013, there is no limit on the amount of sick leave that can be used for determining retirement eligibility and for computing the member's

retirement benefits and allowances. For employees whose county or school board employment commenced by reporting to work on or after January 1, 2013, the maximum amount of accrued sick leave credit that may be used for determining retirement eligibility and for computing the member's retirement benefits and allowances shall be the employee's accrued sick leave balance or 2,080 hours, whichever is less.

Periods of employment while a member is on approved Family and Medical Leave Act status (FMLA) in a Leave Without Pay (LWOP) status (as defined in Section 10.15 of the Fairfax County Human Resources Regulations) will not be considered breaks in service when computing AFC. FMLA/LWOP will be ignored when determining the average of your highest 36 months or 78 bi-weekly pay periods.

If you are enrolled in the Deferred Retirement Option Program (DROP), your AFC is calculated at the point of DROP entry. Any changes to your salary after DROP entry have no impact on your retirement benefit amount.

Social Security Breakpoint

The Social Security Breakpoint is used in the Plan A and Plan C benefit formula and in the computation of the Pre-Social Security Benefit for all four plans, A, B, C and D. It is an average of annual Social Security taxable wage bases for the last 35 years before you reach age 65. The Social Security taxable wage base is the maximum amount of your compensation subject to Social Security taxes.

The table on the following page lists the Social Security Breakpoints, listed by year of birth as of July 1, 2012. As the wage base goes up, so will the Social Security Breakpoints. Future Social Security Breakpoints will be posted on the Retirement Administration Agency's website at <http://www.fairfaxcounty.gov/retirement/>.

Social Security Breakpoints

For Employees Who Retire or Terminate Employment
On or after July 1, 2012

<i>Year of Birth</i>	<i>Social Security Breakpoint</i>	<i>Year of Birth</i>	<i>Social Security Breakpoint</i>
1936	\$37,212	1958	\$91,980
1937	39,444	1959	93,600
1938	43,992	1960	95,160
1939	46,344	1961	96,660
1940	48,816	1962	98,064
1941	51,348	1963	99,468
1942	53,952	1964	100,824
1943	56,628	1965	102,096
1944	59,268	1966	103,284
1945	61,884	1967	104,364
1946	64,560	1968	105,324
1947	67,200	1969	106,176
1948	69,696	1970	106,896
1949	72,096	1971	107,556
1950	74,400	1972	108,192
1951	76,620	1973	108,768
1952	78,744	1974	109,224
1953	80,808	1975	109,584
1954	82,824	1976	109,812
1955	86,664	1977	109,908
1956	88,524	1978	110,004
1957	90,300	1979 or later	110,100

Eligibility Service*

Eligibility Service is used to determine whether you are eligible to receive benefits from the System. Eligibility Service is sometimes referred to as Employment Service.

If you are a non-School Board employee, your eligibility service is measured from your date of hire until you terminate employment. If you are a School Board employee, crossing guard, or clinic room aide, you receive a year of creditable service for each full school

year that you work, as long as you return to your position at the start of the next school year. No extra credit is granted for summer school employment.

Generally, you will not receive eligibility service for any period during which you are not an active, contributing employee. For example, if you are on leave without pay (LWOP) except LWOP while on approved Family and Medical Leave (as defined in Section 10.15 of the Fairfax County Human Resources Regulations), you will not receive eligibility service. See the “additional service” description on page 10 for exceptions to this rule.

Members employed in more than one retirement-eligible position will earn eligibility service as though all scheduled hours were combined into a single position. No more than one year’s eligibility service may be granted for each year worked.

Benefit Service*

Benefit Service is the time period used to determine the amount of retirement benefits you will receive. Generally, you are credited with one year of benefit service for each year of full-time employment plus any additional service for which you may be eligible. Employees working less than 2,080 hours in any calendar year will have their benefit service calculated based on actual hours worked. Credit is granted for eligible summer school employment. Members employed in more than one retirement-eligible position will earn benefit service as though all scheduled hours were combined into a single position. No additional credit is granted if combined hours exceed those of a full-time position.

Any period of employment while you are not a member of the System does not normally count as benefit service. See “additional service” description on page 10 for exceptions to this rule.

** “Eligibility Service” and “Benefit Service” have been used to clarify the term “Creditable Service” found in the County Retirement Ordinance.*

Part-Time Service

If you are a part-time employee, your benefit service is calculated on an annual equivalent basis. The basis for one year of benefit service is 2,080 hours per year. For the computation of

normal service retirement and ordinary disability retirement *but not service-connected disability retirement*, salary is annualized for part-time members, using the hourly rate of pay, multiplied by the full-time number of hours paid to a bi-weekly or monthly paid employee. Depending on your pay schedule, that will be 80 hours bi-weekly or 173.3 hours monthly. These annualized amounts are used to calculate a benefit in proportion to the full-time equivalent benefit you would have earned had you worked in a full-time position.

EXAMPLE: Annualization of Part-Time Service for Normal Service Retirement and Ordinary Disability Retirement

Assume you normally worked 4 hours per day (20 hours a week) from September 2 through the following June 30 each year for 25 years. Your benefit service would be calculated by calculating the percentage of a full 8-hour day worked times 303 (the number of days between September 2 and June 30) times 25. The total would then be divided by 365:

$$[(4 \div 8) \times 7,575] \div 365 = 10.38$$

Your benefits would be calculated as though you had 10.38 years of full-time service.

Additional Service

In addition to receiving credit for eligibility service and benefit service while a member of the System, you may receive service credit in the following instances:

Accrued Sick Leave

(1) If you are a county or school board employee who started working in a merit position before January 1, 2013, (as a member in Plan A or B), *accrued sick leave credit* means the credit allowed a member with more than five (5) years of service for purposes of determining retirement eligibility. Credit is allowed at the rate of one (1) month for every one hundred seventy-two (172) hours of accrued unused sick leave, and pro rata credit is allowed for each fraction thereof.

(2) If you are a county or school board employee who started working in a merit position on or after January 1, 2013 (as a

member of Plan C or D), *accrued sick leave credit* means the credit allowed a member with more than five (5) years of service for purposes of determining retirement eligibility. Credit is allowed at the rate of one (1) month for every one hundred seventy-two (172) hours of accrued unused sick leave, and pro rata credit is allowed for each fraction thereof; however, for employees whose county or school board employment commenced by reporting to work on or after January 1, 2013, notwithstanding the amount of the employee's accrued sick leave balance, the maximum amount of accrued sick leave credit that may be used for determining retirement eligibility and for computing the member's retirement benefits and allowances shall be the employee's accrued sick leave balance or 2,080 hours, whichever is less.

Prior Service in FCERS

If you return to work for Fairfax County in a position under the Employees' Retirement System, and if you did not withdraw your accumulated member contributions, you must rejoin the Plan to which you formerly belonged, and you will receive membership service credit for your prior period of service. If you withdrew your accumulated member contributions, you may receive membership service credit for periods in which you received compensation and were a member of this System, provided that you purchase membership service credit by paying into the System all accumulated contributions that would have been collected from you during your prior period or periods of membership, plus interest at the rate or rates established by the Board, for the entirety of any period of prior service for which membership service credit is sought. You may not purchase credit for only a portion of any prior period of service, but may only purchase credit for an entire prior period of service.

In the event that you were a member of either Plan A or Plan B who ceased your county or school board employment and withdrew your accumulated member contributions from the System, and seek, on or after January 1, 2013, to purchase credit for periods during which you received compensation as a member of this System, you may only become a member of, and purchase membership service credit in, either Plan C or Plan D, by paying into the System all accumulated contributions which would have been collected from you during your prior period or periods of membership, plus interest at the rate or rates established by the Board, for the entirety of any period of prior service for which membership service credit is sought.

For information on the purchase of prior service credit, please refer to the section below.

Additional information regarding prior service “buy-backs”

Generally, if you “buy back” service, plus interest, for any of the following periods, service is given for the applicable period (unless such purchase fails to meet the requirements of the Internal Revenue Code):

- Prior period of plan membership if you withdraw your contributions when you terminated employment;
- Prior period of plan membership in another Fairfax County retirement system;
- Period from date of hire to date of plan membership if you elected not to become a member of the System when you first became eligible and were working at least 20 hours per week;
- Period of time you were employed by Fairfax County Public Schools and were a member of the Virginia Retirement System (VRS) and the Educational Employees’ Retirement System of Fairfax County (ERFC) provided that this service is not considered in the calculation of any benefit or allowance from VRS or ERFC.

Please Note:

All requests for a buy-back calculation must be made in writing, addressed to the Retirement Agency, stating your intention to buy back previous service credit.

If the buy-back or purchase of service is started within the first twelve (12) months of re-employment, the interest rate charged will be the current actuarial assumption rate (7.5% currently). If the buy-back or purchase of prior service is started after the first twelve (12) months of re-employment, the interest rate charged will be fifteen percent (15%*). Once initiated, all buy-backs and/or purchases must be completed within three (3) years. Buy-backs may be made through payroll deduction, a lump sum payment or a combination of these two options.

** This interest rate is established by the Board of Trustees.*

You may transfer funds directly from VRS/ERFC, the Fairfax County Uniformed or Police Officers Retirement Systems to purchase service for eligible prior service in those Systems.

In addition, if you had your contributions and interest transferred directly into an Individual Retirement Account (IRA) for a period of prior service with the Employees' Retirement System, you may transfer all or part of your balance in that IRA back into the System. Other transfers from 457 or 403(b) plans may also be allowed. (§3-2-23)

Military Service

A period of active military service counts as service if you return to work within 90 days of discharge (other than dishonorable) in any employment covered by the system while you have reemployment rights under the law. However, you cannot receive credit for military service in the event of a dishonorable discharge.

Prior service credit may be granted to persons who were members of the System on July 1, 1955, or who were employees who had previously left service to enter directly into the armed forces of the United States and who were still in the armed forces on or after that date, as provided for above. (§3-2-23)

Service-Connected Disability

A period of service-connected disability counts as eligibility service if you return to work covered by the System after a determination by the Medical Examining Board that you are no longer permanently disabled. (§3-2-23)

Normal Service Retirement

Eligibility

You are eligible for normal service retirement if you are a member of the System **and**

- **On your 65th birthday** or thereafter if you have at least five years of eligibility service, **OR**
- **Plans A & B** - on your 50th birthday if you have 30 years or more of eligibility service or at any time thereafter when your age plus years of eligibility service total 80 or more.
- **Plans C & D** - on your 55th birthday if you have 30 years or more of eligibility service or at any time thereafter when your age plus years of eligibility service total 85 or more.

Benefit

The amount of your normal retirement benefit will depend on whether you participate in Plan A, B, C or D.

Regardless of your Plan election, you will also be eligible to receive an additional Pre-Social Security Benefit if you retire before the age at which you will be eligible to receive unreduced Social Security benefits.

Plans A & C Benefit

If you participate in Plan A or Plan C, your normal retirement benefit will be determined as follows:

1.8%	x	Average Final Compensation up to Social Security Breakpoint	x	Years of Benefit Service	x	1.03
PLUS						
2.0%	x	Average Final Compensation in Excess of Social Security Breakpoint	x	Years of Benefit Service	x	1.03

EXAMPLE: Plan A or Plan C Normal Retirement Base Benefit

Assume you retire in 2013 at age 61 with 30 years of benefit service and average final compensation of \$84,000. You were born in 1952 so your Social Security breakpoint is \$78,744 (see page 8). Your benefit will be determined as follows:

<i>AFC up to Social Security Breakpoint</i>	<i>Years of Benefit Service</i>	<i>Increased by 3%</i>				
1.8%	x	\$78,744	x	30	x	1.03 = \$43,797.41
PLUS						
<i>AFC in Excess of Social Security Breakpoint</i>	<i>Years of Benefit Service</i>	<i>Increased by 3%</i>				
2.0%	x	(\$84,000 - \$78,744) \$5,256	x	30	x	1.03 = \$ 3,248.21
						\$47,045.62

You would receive **\$47,045.62 a year**, or **\$3,920.47 a month** starting at age 61 and payable for life.

Plans B and D Benefit

If you participate in Plan B or Plan D, your normal retirement benefit will be determined as follows:

2.0%	x	Average Final Compensation	x	Years of Benefit Service	x	1.03
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EXAMPLE: *Plan B or Plan D Normal Retirement Base Benefit*

Assume the same facts as the Plan A example except that you participate in Plan B. Your benefit would be:

<i>Average Final Compensation</i>	<i>Years of Benefit Service</i>	<i>Increased by 3%</i>	
2.0%	x	\$84,000	x
		x	30
			x
		x	1.03
			= \$51,912

You would receive **\$51,912 a year** or **\$4,326 a month** starting at age 61 and payable for life.

Additional Pre-Social Security Benefit

If you retire on a normal service retirement before you are eligible for unreduced Social Security benefits, you will receive an additional benefit. You may continue to receive this supplement until the first month after you are eligible to receive an unreduced Social Security benefit. This benefit is the same for all plans and is calculated with a 1% multiplier as follows:

1.0%	x	Average Final Compensation up to the Social Security Breakpoint	x	Years of Benefit Service	x	1.03
<p>This additional Pre-Social Security Benefit is added to the Normal Retirement Base Benefit for the plan in which you participate.</p>						

Once you become eligible for unreduced Social Security benefits, your Pre-Social Security Benefit will cease. Eligibility for the Pre-Social Security Benefit is based on the age at which you

are eligible to receive **unreduced** Social Security benefits. See the Social Security table below to determine your age requirement for unreduced Social Security benefits.

Social Security Eligibility

Year of Birth	Year You Will Turn 62	Your Age for Full Benefits
1937 or earlier	1999 or earlier	65 years
1938	2000	65 years, 2 months
1939	2001	65 years, 4 months
1940	2002	65 years, 6 months
1941	2003	65 years, 8 months
1942	2004	65 years, 10 months
1943 - 1954	2005 - 2016	66 years
1955	2017	66 years, 2 months
1956	2018	66 years, 4 months
1957	2019	66 years, 6 months
1958	2020	66 years, 8 months
1959	2021	66 years, 10 months
1960 or later	2022 or later	67 years

EXAMPLE: Pre-Social Security Benefit

Assume you participate in Plan B or Plan D and retire in 2013 at the age 61, with 30 years of benefit service and average final compensation of \$84,000. In this example, you were born in 1952, so your Social Security breakpoint is \$78,744 (see page 8). Your benefits would be determined as follows:

$$\begin{array}{r}
 \text{Average Final} \\
 \text{Compensation up to the} \\
 \text{Social Security Breakpoint}
 \end{array}
 \times \$78,744
 \times
 \begin{array}{r}
 \text{Years} \\
 \text{of Benefit} \\
 \text{Service}
 \end{array}
 \times
 \begin{array}{r}
 \text{Increased} \\
 \text{by} \\
 \text{3\%}
 \end{array}
 = \$24,331.90$$

Your total benefit, payable to the age at which you would be eligible for unreduced Social Security benefits, would be:

$$\$51,912.00 + \$24,331.90 = \mathbf{\$76,243.90}$$

In this example, you would receive \$76,243.90 a year or \$6,353.66 a month until age 66. After reaching age 66, the additional Pre-Social Security Benefit would stop and you would receive \$51,912 a year or \$4,326.00 a month for life. (Adjusted by cost-of-living adjustments.) You could also choose to receive early

Social Security benefits at age 62 and the Pre-Social Security Benefit will not stop until you are eligible to receive unreduced Social Security benefits.

Minimum Benefit

In no event will your annual normal retirement benefit be less than \$300.

Deferred Retirement Option Program (DROP)

Entering the DROP allows you to be treated as if you retired, for purposes of the retirement plan, while continuing to work and receive a salary for a maximum period of three years. Only members eligible for Normal Retirement may elect to enter the DROP. As a DROP member, you will continue to work while an amount equal to what you could have received as a retirement benefit is credited to your DROP account balance. At the point of DROP entry, you are agreeing to participate in the DROP for a maximum of three years. The monthly benefit that will be credited to your DROP account is determined by your years of service and AFC at your DROP entry date. During the DROP period, the retirement plan accumulates your accrued monthly benefit, which is payable to you at the end of the DROP period. Your account balance is credited at an annual rate of 5% interest, compounded monthly. At the end of the DROP period, you **MUST** terminate employment with the County, and you will begin to receive your monthly retirement benefit directly instead of it being credited to your DROP account balance. Upon DROP exit, you can elect to receive the balance of your DROP account in the form of a lump sum distribution, a rollover to another qualified plan (or IRA), or you may have added to your monthly retirement annuity, an increase of the actuarial equivalent of the lump sum balance in your DROP account, thereby receiving a higher lifetime monthly benefit.

You are eligible to enter the DROP when you become eligible for Normal Service Retirement:

- **When you are age 65** with at least five years of eligibility service, **OR**
- **Plans A & B** - When you are **age 50 or older** and your age plus years of eligibility service total **80 or more**.
- **Plans C & D** - When you are **age 55 or older** and your age plus years of eligibility service total **85 or more**.

Please Note: Members of Plans A and B who enter DROP have both their normal service retirement benefits and allowances and, if applicable, their pre-Social Security Benefit credited to their DROP Accounts.

Members of Plans C or D who choose to enter DROP before they are eligible for normal Social Security benefits, are **NOT** eligible to receive the Pre-Social Security Benefit during their time in the DROP. However, upon the completion of the DROP period, the member shall be entitled to receive the Pre-Social Security Benefit if he or she is not then entitled to an unreduced Social Security Benefit. The member would receive that Pre-SSB until the first month after the member is entitled to an unreduced Social Security benefit.

At the end of three years in DROP, you should complete the DROP Exit Notification form and choose how you would like your DROP balance to be distributed. You must provide a completed DROP Exit Notification form to the Retirement Agency no less than 60 days prior to your intended DROP exit date to ensure there is no disruption to your benefit payments. If we do not receive your DROP Exit paperwork, your DROP account balance will be paid to you as a lump sum, with applicable taxes withheld.

Sick Leave and DROP

Plans A & B – If you are a Plan A or B employee who is entering the DROP, you have the option of converting your entire sick leave balance to retirement credit or you may retain 40 hours of your total balance to have available after entering the DROP. However, any sick leave balance carried forward will not be converted to service at the point you exit the DROP.

Plans C & D – If you are a Plan C or D employee who is entering the DROP, you can convert up to 2080 hours of sick leave to retirement service credit. You may retain 40 hours of your total sick leave balance or any sick leave balance in excess of 2080 hours, if applicable, to have available after entering the DROP. However, any sick leave balance carried forward will not be converted to service at the point you exit the DROP.

Some additional notes about DROP:

- You may participate in the DROP only once
- If you would like to participate in the DROP, you must file an application with the Retirement Administration Agency **not less than 60 days prior** to your DROP entry date.

- DROP enrollments are effective on the first day of a payroll period.
- Your election to participate in the DROP is irrevocable, (the one exception being that if you revoke your election **prior** to the commencement of your DROP period; you must wait at least 12 months from the date of revocation to re-apply).
- If you choose to provide a spousal benefit for your husband or wife, you must make that election in writing on your DROP Application. You cannot add or remove a spouse at a later date.
- If you do not choose to enter the DROP when first eligible, you may choose to enter the DROP at the beginning of any pay period following your initial eligibility.

Early Service Retirement

Eligibility

You are eligible to retire early on your 50th birthday if you have 25 years or more of eligibility service or at any time thereafter when your age plus years of eligibility service total 75 or more (for example, if you are age 50 with 25 years of eligibility service).

Benefit

The formula for normal retirement determines early retirement benefits. However, an additional Pre-Social Security Benefit is not payable. In addition, benefits are reduced based on your age at retirement by multiplying your normal retirement benefits by the percentages in the table on the following page:

Early Service Retirement Reduction Table

Exact Age* at Retirement	Early Retirement Percentages
50	33.3%
51	36.7%
52	40.0%
53	43.3%
54	46.7%
55	50.0%
56	53.3%
57	56.7%
58	60.0%
59	63.3%
60	66.7%
61	73.3%
62	80.0%
63	86.7%
64	93.3%

**The table above is just a partial list of early retirement percentages. These percentages vary based on your age in completed years and months. For example, if you were 59 years and four months old when you retired, your early retirement percentage would be between those shown for 59 and 60. You may check with the Retirement Agency for more details.*

EXAMPLE: *Early Retirement*

Assume you have participated in Plan B. Also assume you retire in 2020 at age 56 with 20 years of benefit service and average final compensation of \$74,000. Your benefit would be determined as follows:

$$2\% \times \$74,000 \times 20 \times 1.03 = \$30,488$$

<i>Full Benefit</i>	x	<i>Age 56 Early Retirement Percentage</i>	=	\$16,250.10
\$30,488		53.3%		

Your early retirement benefit would be \$16,250.10 a year or \$1,354.18 a month starting at age 56 and payable for life. If you choose to take an early retirement benefit, you waive your right to **any** Pre-Social Security Benefit.

Minimum Benefit

In no event will your annual early retirement benefit be less than \$300.

Applying for Service Retirement

You must apply for retirement before your retirement can become effective. This is in addition to any notice you may give to your supervisor. Your retirement application must indicate the date on which you plan to retire.

When you apply, you will need to provide proof of birth. Proof of birth is also required for your spouse if you choose to take a reduced pension that provides optional spouse's benefits.

You may get an estimate of retirement benefits from the Retirement Agency before you apply. Application forms are also available from the Retirement Agency. Please feel free to contact the Retirement Agency with any questions you may have about how to apply for benefits. Please visit the RAA website at http://www.fairfaxcounty.gov/retirement/active_employees/planning.htm for information about the "retirement process".

Applying for DROP

Only those eligible for Normal Service Retirement may enter the DROP. DROP applications are available from the Retirement Agency and must be completed and received at the Retirement Agency at least 60 days prior to the DROP entry date requested. If you would like to calculate your own estimated DROP benefit, you can do this by visiting the "Member Area" of the Retirement Agency website at <http://www.fairfaxcounty.gov/retirement> and creating a "User Name" and "Password". After logging in to this secure portal, you can generate your own retirement benefit estimates for DROP, normal, and early benefits. If you prefer to have an estimate calculated for you, and you are within one year of planned retirement or DROP entry, you may request a DROP estimate in writing. DROP counseling is available for those who are within 6 months of planned retirement or DROP entry. Estimate Request Forms and other information can be found at http://www.fairfaxcounty.gov/retirement/active_employees, using the drop-down menu for "Forms".

Once your DROP application has been received at the Retirement Agency, a Retirement Counselor will verify your DROP eligibility. When you apply, you will need to provide proof of birth. Proof of birth is also required for your spouse if you choose to take a reduced pension to provide optional spouse's benefits. Once your eligibility date has been verified, you should notify your supervisor of your intent to enter the DROP.

Contact the Retirement Agency with any questions or to schedule an appointment.

Disability Retirement

Ordinary Disability Retirement

Eligibility

You are eligible for ordinary disability retirement if:

- your disability is not caused by a job-related accident or disease;
- you become disabled while a member of the System;
- you have at least five years of eligibility service at the time you become disabled;
- the Medical Examining Board certifies that you are disabled; and
- the Fairfax County Employees' Retirement System Board of Trustees approves your retirement application.

Normally, you must apply for disability retirement before your employment with the County terminates. Applications for disability retirement submitted more than one year after termination will not be approved unless applicant shows good cause why the application could not have been submitted during that first year.

Benefit

Your ordinary disability retirement benefit is equal to:

2.0%	x	Average Final Compensation	x	Years of Benefit Service (Maximum 30 years)	x	1.03
------	---	-------------------------------	---	---	---	------

In no event will your annual ordinary disability retirement benefit be less than \$300.

No reduction is made to a disability benefit because of your age at retirement. Your benefit is payable for as long as you remain disabled. However, if you remain disabled until reaching age 65, your benefit will continue for life, even if you later recover from your disability.

EXAMPLE: *Ordinary Disability Retirement*

Assume you become disabled and meet the eligibility requirements for ordinary disability retirement. Also, assume your average final compensation is \$55,000 and you have 25 years of benefit service.

$$2.0\% \times \$55,000 \times 25 \times 1.03 = \$28,325$$

You would receive \$28,325 a year or \$2,360.42 per month for as long as you are disabled.

Medical Examinations

If you retire on ordinary or service-connected disability, you are required to undergo routine medical re-evaluations by the Board of Trustees. Re-evaluations are required annually for the first five (5) years after retirement and every three (3) years thereafter until you reach age 65.

If You Return To Work

Ordinary disability benefits will end if you return to work for Fairfax County in a position covered by this retirement System before your normal retirement date. (If you retire on disability and recover prior to age 65, your disability benefits are discontinued and you will be considered as a new applicant should you wish to return to work for Fairfax County.)

Service-Connected Disability Retirement

Eligibility

You are eligible for a service-connected disability retirement if:

- you become disabled while a member of the System;

- your disability is caused by a job-related accident or disease, as determined by the Board of Trustees; and;
- you apply for Workers' Compensation benefits and Social Security benefits.

Normally, you must apply for service-connected disability retirement before your employment with the County terminates. However, an application for service-connected disability retirement made within one year after termination of employment may be accepted in certain instances if your disability started before termination and the Board of Trustees approves it. Applications for disability retirement submitted more than one year after termination will not be approved unless applicant shows good cause why the application could not have been submitted during that first year.

Benefit

Your monthly service-connected disability retirement benefit is determined as follows:

$66\frac{2}{3}\% \times \text{Average Final Compensation} \div 12$ <p>MINUS</p> <p>Your average monthly Workers' Compensation benefits and 25% of your monthly Social Security benefit</p>

If you receive a lump sum Workers' Compensation benefit, your monthly System benefits will be delayed. In this case, the Retirement Agency will inform you when your benefits will start.

Workers' Compensation benefits for permanent total or permanent partial disability or compensation for periods before the effective date of retirement is not offset.

If you refuse to accept medical services, vocational rehabilitation, or other employment under the Workers' Compensation Act, your Workers' Compensation benefits may be suspended. If they are suspended, the Board of Trustees has the option to calculate your service-connected disability benefit as if you were still receiving Workers' Compensation.

Social Security benefits based on age are offset when you first become eligible for a benefit. Disability benefits are offset when

you begin to receive them. If you are not eligible for disability benefits, your old-age benefits are offset when you reach age 62. If you do not choose to receive the old-age benefits at age 62, the offset will be computed on the amount you would have been eligible to receive had you applied for the benefit when first eligible. Portions of your Social Security benefit that are payable due to a spouse's employment are not offset. However, if you elect a widow's benefit in lieu of your own benefit, the amount that you would have been eligible to receive based on your own employment would be offset. The service-connected disability retirement benefit will be offset by 25% of any Social Security Benefit you become eligible for.

EXAMPLE: *Service-Connected Disability Retirement*

Assume you become disabled and meet the eligibility requirements for a service-connected disability retirement. Also, assume your average final compensation at retirement is \$39,000 and that you are awarded an average monthly benefit of \$1,700 under the Virginia Workers' Compensation Act and \$600 a month in Social Security benefits.

Your monthly retirement benefit would be calculated as follows:

$$\begin{array}{rcl}
 \$39,000 & \times & 66\frac{2}{3}\% & = & \$26,000 \\
 \$26,000 & \div & 12 \text{ (monthly retirement allowance)} & = & \$2,167
 \end{array}$$

MINUS

$$\begin{array}{rcl}
 \text{Workers' Compensation Benefits} & = & \$1,700 \\
 25\% \text{ of Social Security Benefits } (\$600 \times 25\%) & = & \underline{\$150} \\
 \text{Total Service-Connected Disability Retirement} & = & \$317
 \end{array}$$

Once Workers' Compensation benefits stop after the maximum of 500 weeks, the retirement allowance will be offset only by 25% of Social Security benefits.

Medical Examinations

The medical examinations described on page 23 apply to service-connected disabilities when you are not receiving Workers' Compensation benefits. Disability benefits cease if it is determined that you are no longer disabled.

If You Return To Work

Service-connected disability benefits will end if you return to work for Fairfax County in a position covered by this retirement system before your normal retirement date.

If you return to other employment before your normal retirement date and you begin to earn more than the difference between your disability benefits and the current salary of the position from which you retired, your disability benefits will be reduced.

The Retirement Board has the right to reduce any service-connected disability benefits even further to recoup any payment made to you in excess of the limit described above.

If the Medical Examining Board certifies to the Retirement Board of Trustees that you are able to engage in work paying more than the difference between your retirement allowance and the current salary of your former position, your benefits may be stopped if you refuse employment, unless the Board rules that your refusal is justified.

EXAMPLE: *Limits on Service-Connected Disability Benefits If You Return To Work*

Let's say that the current monthly salary of your former position is \$2,100 and you are receiving service-connected disability benefits of \$1,000 a month. You may earn up to \$1,100 a month with no change in your benefits ($\$2,100 - \$1,000 = \$1,100$).

If you were to begin to earn \$1,500 a month, however, your disability benefits would be reduced to \$600. This would keep your total income at the level of the current salary of your former position ($\$1,500 + \$600 = \$2,100$).

Disability During DROP

Should you become disabled during the DROP period other than as the result of a service-connected disability, the effective date of your disability will be treated as the end of your DROP period. You would be entitled to receive the balance of your DROP account under any of the normal options, and you would begin to receive monthly normal service retirement benefits and allowances.

Should you become disabled during the DROP period as the result of a service-connected disability, you have a choice of either taking the DROP account balance plus the normal service

retirement benefits or forfeiting the DROP account balance and taking a service-connected disability benefit as though DROP participation had not occurred.

Tax Returns

Retirees receiving service-connected disability benefits must submit copies of their federal income tax return and W-2 forms (wage statements) to the Fairfax County Retirement Agency by May 30 of each year.

If you do not submit copies of your tax returns and W-2 forms, your disability benefits will be suspended. Full benefits will be restored when you submit the tax returns and forms as long as your outside earnings do not exceed the allowable amount.

If you do not submit your tax returns and W-2 forms within one year after they are due, you will lose all rights to further service-connected disability benefits.

Deferred Vested Benefit

Eligibility

You are eligible for a deferred vested benefit if:

- You terminate employment before you retire;
- You have at least five years of eligibility service; *and*
- You leave your contributions in the System.

You may start to receive a deferred vested benefit at age 65 (or earlier after meeting the age and service requirements for early retirement). In lieu of a deferred vested benefit, you have the option to request a refund of your contributions at any time prior to reaching age 65 or receiving retirement benefits.

Benefit

The formula for normal retirement determines your deferred vested benefit (see pages 14 & 15). However, if you start to receive benefits before age 65, your benefit will be reduced in the same way that early retirement benefits are reduced. In addition, an additional Pre-Social Security Benefit is NOT payable.

Cost-of-Living Adjustments (COLA)

Each July 1 your pension may be increased to reflect increases in the cost-of-living. Cost-of-living increases apply to normal, early and disability retirements, and to deferred vested benefits once benefits start. However, they do not apply to the additional Pre-Social Security Benefit that is payable for normal retirement. For Service-Connected Disability retirees, cost-of-living increases are calculated on the net amount of the benefit after all offsets for Social Security and/or Worker’s Compensation have been applied. When Workers’ Compensation benefits cease, the benefit is recalculated back to the date of retirement applying all applicable cost-of-living increases to the base benefit without including an offset for Workers’ Compensation.

The standard annual COLA is the lesser of 4% or the percentage increase in the Consumer Price Index (CPI-U) for the period ending in March of each year.

The cost-of-living increase will be pro-rated if you have received retirement benefits for less than a year, as follows:

<i>If you retire</i>	<i>Percentage of increase</i>
April 1 to July 1	0%
January 2 to April 1	25%
October 2 to January 1	50%
July 2 to October 1	75%

Death Benefits

Death Before Retirement

Return of Contributions

In the event of your death before retirement, your contributions plus interest will be paid to your beneficiary unless a spouse’s benefit is payable. **Note:** *Your spouse is the person to whom you are legally married on the date of your death, if that marriage is recognized by the Commonwealth of Virginia.*

Spouse's Benefit

A spouse's benefit is payable if:

- Your death occurs after you have completed five years of eligibility service and you have named your spouse as your sole primary beneficiary and the beneficiary designation has been properly filed with the Retirement Agency, or your death occurs after you have completed fifteen years of eligibility service and your current spouse is the only beneficiary eligible to receive a refund of your contributions;
- Your spouse elects in writing to receive the spouse's benefit within 180 days after your death; *and*
- A copy of the Death Certificate has been properly filed with the Retirement Agency.

Once your spouse's benefit starts, it is payable for his or her lifetime. The spouse's benefit is equal to 50% of a benefit calculated under the normal retirement formula, not including the additional Pre-Social Security Benefit. If your spouse does not elect to receive the spouse's benefit within 180 days after your death, your spouse will receive your contributions plus interest.

EXAMPLE: *Spouse's Benefit*

Assume you participated in Plan B or Plan D and your death occurs when you have 20 years of benefit service and your average final compensation is \$40,000.

$$2.0\% \times \$40,000 \times 20 \times 1.03 = \$16,480$$

The benefit calculated under the normal retirement formula for Plan B or Plan D is \$16,480 a year or \$1,373.33 per month. Your spouse, if eligible, would be entitled to receive 50% of that amount or \$686.67 per month.

If your death is due to a service-connected accident while actively employed, your spouse or designated beneficiary will receive the service-connected accidental death benefit of \$10,000 (see page 32) in addition to the pre-retirement death benefits described on the previous page.

Death During DROP

In the event of your death during the DROP period, the benefits for your spouse will depend on whether your death was in the line of duty and what Joint and Last Survivor option you elected when you entered the DROP.

If your death is not service-connected, your spouse will be eligible to receive your accumulated DROP balance. If, at the time you entered DROP, you elected a Joint and Last Survivor Option, your spouse would also be entitled to receive the benefits that would be payable under that election.

If your death occurs in the line of duty, your spouse will have the option of receiving benefits as though you had never entered the DROP, or the option of receiving the DROP balance plus benefits based on the Joint and Last Survivor option you selected when entering the DROP.

Your choice regarding a Joint and Last Survivor option or single life annuity is made at the time of DROP entry. If you do not make such an election at the time you enter the DROP, you cannot later make such an election.

Death After Retirement

Return of Contributions

In the event of your death after retirement, your contributions plus interest, less any System benefits you received before death, will be paid to your beneficiary unless an optional spouse's benefit is applicable.

Joint and Last Survivor Option

You may elect a joint and last survivor option if you retire under normal, early or deferred vested retirement provisions. If you do not make such an election before your retirement, you cannot do so thereafter.

If you make this election, you will receive a reduced retirement benefit. However, after your death, your surviving spouse will continue to receive a percentage (50%, 66²/₃%, 75%, or 100%) of your reduced benefit for life. This does not include the Pre-Social Security Benefit.

The amount of reduction to your benefit depends on the difference between your age and your spouse's age, and on the percentage of your benefit that your spouse will receive. The Retirement Agency can give you additional information about how the joint and last survivor option affects the amount of your benefit.

The joint and last survivor option may not be changed once you have retired except in the event of the death of your spouse or divorce.

Death – If your spouse should die before you, your benefit will be increased to an amount equal to the monthly benefit you would have received if you had not elected the joint and last survivor option.

Divorce – If you and your spouse divorce following your retirement, you may elect to discontinue the joint and last survivor option provided that your divorced spouse's rights under the joint and last survivor options have been extinguished pursuant to the final decree of divorce or the final property order entered in connection with your divorce case. Your benefit will be increased to an amount equal to the monthly benefit you would have received if you had not elected the joint and last survivor option. Once it has stopped, you may not elect the joint and last survivor option again, even if you remarry.

EXAMPLE: Joint and Last Survivor Option

Assume you retire at age 60 with a normal monthly retirement benefit of \$800 a month and elect the joint and last survivor option.

The table on the following page shows the benefits that would be paid to you and your surviving spouse after your death if you elected any of the following joint and last survivor options:

Spouse Age 60 (same age)		
<i>Percentage of Your Benefit to Continue To Your Spouse</i>	<i>Your Reduced Benefit</i>	<i>Joint and Last Survivor Benefit</i>
100%	\$680	\$680
75%	\$712	\$534
66 ² / ₃ %	\$720	\$480
50%	\$736	\$368
Spouse Age 55 (five years younger)		
100%	\$652	\$652
75%	\$688	\$516
66 ² / ₃ %	\$700	\$466
50%	\$720	\$360
Spouse Age 65 (five years older)		
100%	\$708	\$708
75%	\$736	\$552
66 ² / ₃ %	\$740	\$493
50%	\$752	\$376

Service-Connected Accidental Death Benefit

The System provides for a service-connected accidental death benefit of \$10,000. It is payable if your death occurs before you retire and if Virginia Workers' Compensation benefits are payable because of your death. The benefit is also payable if you die after retirement as long as your death is directly related to your service-connected disability.

The service-connected accidental death benefit is *in addition* to any other benefits payable by the System because of your death.

Naming a Beneficiary

When you join the System, you will be asked to name one or more beneficiaries to receive your contribution balance and interest earnings in the event of your death. You may name anyone you wish, and as many beneficiaries as you wish. If you name more

than one person, each person will share equally in the total amount payable unless you designate percentages or fixed amounts for each beneficiary.

If you have a spouse and you want your current spouse to have the option to choose the spouse's benefit if you should die while on the active payroll, your spouse must be listed as your sole *primary* beneficiary. Your spouse is the person to whom you are legally married on the date of your death, if that marriage is recognized by the Commonwealth of Virginia. You may make provisions on your beneficiary form for a contingent beneficiary in the event your primary beneficiary pre-deceases you.

You may change your beneficiary designation at any time by giving written notice to the Retirement Agency. Forms for naming or changing beneficiaries are available on the Retirement Agency website. If you do not name a beneficiary, payment will be made to your estate.

Withdrawal of Contributions

The County Code does not permit loans from your retirement account, partial withdrawals of employee contributions, or withdrawals of employer contributions. Withdrawal of contributions may only be made upon termination of employment. Any member who elects to withdraw his or her contributions is no longer eligible for any benefits from the Retirement System.

If You Are Not Eligible For Benefits

If you are not yet eligible for a retirement benefit or a deferred vested benefit when you terminate employment, you may withdraw your contributions and interest earnings. Refunds are required if you have less than five years of service. However, you may elect in writing to leave your contributions in the System for up to five additional years after you terminate employment. Payment will be made within 90 days of your last check date or after the requested five-year extension. Refunds shall be mailed to the last address on record with the Retirement Agency. Refunds not claimed within six months will become the property of the System. If you accept a refund of your member contributions plus interest, you forfeit all prior service credit in the Employees' Retirement System for that previous period of employment.

If You Are Eligible For Benefits

If you **are** eligible for a retirement benefit or a deferred vested benefit, you may withdraw your contributions plus interest instead of receiving any other System benefit for which you are eligible. You must make your request in writing. Once benefits have started, however, you may not withdraw your contributions.

Taxation of Withdrawals

Any part of your account that consists of pre-tax contributions – as well as all interest earnings – will be taxed as ordinary income the year you receive it, and may be subject to an additional 10% penalty imposed by the IRS. Taxes will be based on the federal and state tax laws in effect at the time of distribution. Currently, refunds not transferred directly to an Individual Retirement Account (IRA) or another qualified retirement plan will have 20% withheld for federal taxes unless certain conditions are met. Another 4% will be withheld for Virginia state taxes. See page 39 – “How Are Benefits I Receive from the System Taxed?” – for more information.

If you are contemplating withdrawing your accumulated member contributions, you should consult a tax professional for current information on the tax treatment of withdrawn funds.

Assignment of Benefits

Your benefits under the plan cannot be assigned and are not subject to garnishment or attachment, except to the extent permitted by law for child and/or spousal support, for the division of marital property (Qualified Domestic Relations Orders – QDRO), or for the payment of tax levies.

Fraud

It is a misdemeanor to attempt to defraud the System by making false statements or by falsifying (or allowing others to falsify) records of the System. Anyone found guilty of trying to defraud the System will forfeit all rights to the benefit or allowance obtained by the misrepresentation and is subject to dismissal from Fairfax County employment.

Social Security Benefits

You may receive benefits from Social Security in addition to any benefits payable to you from the System.

Your actual Social Security benefits are based on the amount of your earnings that are subject to Social Security taxes. To receive a free statement of your earnings covered by Social Security and your estimated future benefits, you need to complete a *“Request for Earnings and Benefit Estimate Statement”*, available from the following address:

Social Security Administration

Wilkes-Barre Data Operations Center
Box 20
Wilkes-Barre, PA 18703

Alternatively, Call 1-800-772-1213

Alternatively, via the internet: www.socialsecurity.gov

Social Security benefits do not start automatically; you must apply for them. It usually takes two to three months to process your application.

Social Security Retirement Benefits

You may be entitled to receive unreduced Social Security monthly income benefits when you reach the Social Security normal retirement age (between ages 65 and 67 depending on your year of birth). See table on page 16. When your spouse reaches the Social Security normal retirement age, he or she may be entitled to a total benefit equal to one-half of your unreduced benefit, or, if greater, a benefit based on his or her own work record. Social Security benefits are payable as early as age 62, but in a permanently reduced amount.

Social Security Disability Benefits

If you become totally disabled, you and your family may be entitled to Social Security disability benefits. They may become payable after you have been totally disabled for five full calendar months. You may apply for Medicare after two years of disability retirement. Approval, however, is not automatic.

Your family may be entitled to an additional benefit from Social Security if you have a dependent child under age 18 (under age 19 if a full-time student). Your spouse may be entitled to additional benefits before reaching age 60 if caring for a child under age 16 who is eligible for children's Social Security benefits. If you have no dependent children, your spouse may be entitled to this benefit if he or she is at least 62.

Social Security Death Benefits

Your family may be entitled to Social Security benefits after your death. Your surviving spouse may be entitled to benefits from Social Security if he or she is at least age 60. Your surviving spouse may be entitled to additional benefits before reaching age 60 if caring for a child under age 16 who is eligible for children's Social Security benefits. Additional children's Social Security benefits may be payable if you die with dependent children under age 18 (under age 19 if they are full-time students).

Medicare

You may also be entitled to Medicare benefits when you reach age 65. Medicare pays a significant portion of physician and hospital fees.

Additional Retirement System Information

Your Home Address and Direct Deposit Information

It is important that you keep the Retirement Agency informed of any change in your address or your Direct Deposit information so that you will receive your benefits check and any information about the System that is sent to you. In addition, if your current home address is not on file after you terminate employment, it is possible that a refund of your contributions sent to your old address will be returned and the Retirement Agency will not be able to locate you.

Retirement System Administration

A Board of ten trustees administers the Fairfax County Employees' Retirement System as follows:

- Citizens appointed by the County Board of Supervisors
 - Robert C. Carlson, Chairman
 - Jon A. Miskell, Jr.
 - Thomas M. Stanners
 - Gordon R. Trapnell
- Fairfax County Human Resources Director
 - Susan Woodruff
- Fairfax County Public Schools
 - Phyllis C. Pajardo
- Fairfax County Director of Finance
 - Victor L. Garcia, Treasurer
- Fairfax County employee elected representative
 - Randy Creller
- Fairfax County Public Schools employee elected representative
 - Walter Leppin
- Retiree elected representative
 - John M. Yeatman, Vice Chairman
- **System Administration--Staff**
 - Robert L. Mears, Executive Director
 - John P. (Jack) Sahm, Deputy Director
 - Laurnz A. (Larry) Swartz, Chief Investment Officer
 - Gregory (Greg) Samay, Investment Officer

Members of the Board of Trustees may be contacted in writing through the Retirement Agency. Since members of the Board change from time to time, their names will be published on the Retirement Agency website as changes occur.

Duties of the Board include administering the System of retirement, disability and death benefits for the active and retired members of the System, as well as directing the investment of System funds. The Board meets monthly, normally on the third Wednesday of each month. Board meetings are open to all employees and members of the public.

The Board employs consultants and appoints an Executive Director who serves at the discretion of the Board and is responsible for the retirement System's administrative staff. The Executive Director, Robert L. Mears, is also the System's agent for service of legal process. The County Attorney serves as the legal advisor for the Board.

Important Addresses

1. Retirement Administration Agency

10680 Main Street
Suite 280
Fairfax, VA 22030-3812
Phone: 703-279-8200
Toll Free: 800-333-1633
TTY: 711 (Virginia Relay)
FAX: 703-273-3185
E-mail: retirementquestions@fairfaxcounty.gov
Internet Homepage: <http://www.fairfaxcounty.gov/retirement>

2. Schools Office of Benefit Services

8115 Gatehouse Road
Falls Church, VA 22042
Phone: 571-423-3200
Toll Free: 800-831-4331
FAX: 571-423-5000
Internet Homepage: <http://www.fcps.edu>

Frequently Asked Questions About The System

? I am a new employee. Should I Join Plan C or Plan D?

You should carefully consider your own personal situation before deciding which plan to join. Plan D requires you to make larger contributions than Plan C; however, Plan D provides for larger retirement benefits. Certain facts to consider before making your decision are your age, combined family income, career plans, and retirement income goals.

? Can I Retire After My Normal Service Retirement Date?

Yes. There is no mandatory retirement age.

? How Is Interest On My Contributions Credited?

Interest on the contributions you make each year is credited at an annual rate of 5% starting with the year after the contributions are made.

? How Are Benefits I Receive From The System Taxed?

Contributions made to the retirement system prior to January 1, 1985 have already been taxed. You will owe no taxes on these contributions when they are returned to you, whether in monthly benefit payments or in a lump sum when you leave employment. All contributions made to the system on or after January 1, 1985 have been made, or will be made, on a pre-tax basis. You will not owe taxes on any contributions made on a pre-tax basis until such time as you start receiving your retirement benefit.

The portion of your benefit that represents employee pre-tax contributions, employer contributions, and investment earnings (anything in excess of contributions made prior to 1/1/85 except post-tax contributions, which paid for prior service purchases) is subject to federal tax when it is paid to you.

In addition, your tax liability depends on whether you receive your benefits in monthly payments or a lump sum withdrawal of contributions.

Monthly Payments – Each monthly payment is made up of pre-tax employee contributions and employer contributions. If you contributed before January 1, 1985, each monthly payment will also contain a portion of your after-tax contributions. This means most of your benefit will be subject to federal, and possibly state, tax starting with your first benefit check.

Withdrawal of Contributions – If you withdraw your contributions before age 55 and request payment directly to you, the payment will be subject to regular income tax *plus* an additional 10% penalty imposed by the IRS. This additional penalty will not apply if the money is distributed due to retirement, termination, disability or death. It also does not apply to any contributions you made before January 1, 1985.

You may postpone paying taxes on a withdrawal of contributions by directly transferring/rolling over the taxable portion of the payment into an Individual Retirement Account (IRA) or another tax-qualified plan. You can postpone paying taxes on refunds that were not directly transferred but were paid to you if you roll over the entire amount you receive (plus an additional amount to equal the mandatory 20% which was withheld for federal taxes) into an IRA or into another tax-qualified plan within 60 days of receiving payment. If refunds are transferred or rolled over, you will be required to pay taxes only when you receive the money from your IRA or other tax-qualified plan.

Because tax laws are complicated and change frequently, you may want to talk to a professional tax advisor before receiving a payment from the System.

State Taxes – Retirement benefits are subject to Virginia State income tax for residents of the state. If you live outside of Virginia, contact the state and local tax agencies where you live to determine if your retirement benefits are taxable.

? **When Should I Begin Planning For Retirement?**

You should begin planning for retirement early in your career, considering the sources of your retirement income – Social Security, employer pension and your own resources.

? **Is Benefits Counseling Available?**

Yes, we feel that an educated member will be able to make decisions confidently.

As your retirement date nears, you will be faced with decisions you may find difficult to make. Even though the various retirement options are described in this handbook, a counseling session with one of the Retirement Agency staff offers a chance to discuss your options and provide you with a benefit estimate that may help you select the retirement option that is best for you. Counseling sessions are currently offered for members who are **within 6 months of normal service retirement eligibility or planned retirement or DROP entry**. With regards to estimate requests, the current procedure requires members to make written requests for benefit estimates. You may request an Estimate Request Form be mailed to your home or you can print a form by visiting the Retirement Agency's website. Please limit estimate requests to no more than one per year.

In addition to one-on-one counseling, the Retirement Agency offers several different workshops for members of the System to help employees understand their County retirement benefits. The workshops are open to all general County employees and are offered several times a year. For more information, please visit the Retirement Agency's website for workshop descriptions and a current schedule.

? **Once I Retire, How Long Before I Receive My First Retirement Payment?**

It depends on the time of month you turn in your retirement paperwork. Typically, if we receive your **completed application packet** before the 12th of a given month, you will receive your first retirement payment at the end of the following month.

? **Can I Have My Benefit Amount/Check Deposited Directly With A Financial Institution?**

Yes. Direct deposit is required for new retirees. You should arrange to have your benefit check deposited directly to a financial institution of your choice. All you have to do is complete and return a "Direct Deposit Authorization" form to the Retirement Agency. Benefit pay advices are currently mailed two days before the last business day of the month. Retirement payments are posted to your direct deposit account on the last business day of each month.

? Will There Be Any Deductions from My Retirement Pay?

Yes. You may request deductions for life, dental and health insurance from your benefit check, as well as contributions (if any) to your credit union. In addition, federal and Virginia income tax can be withheld from your check. Virginia's tax can only be withheld if you reside in the Commonwealth of Virginia.

? Can I Work For Fairfax County Government After Retiring?

Maybe, but your retirement benefits may be affected. There is a "Guide to Returning to Fairfax County Employment" available at <http://fairfaxnet.fairfaxcounty.gov/Dept/DHR/Pages/Reemployment.aspx>.

? Does It Make Any Difference When I Retire During the Year?

You might want to consider several things in deciding when you want to retire during the year.

Cost-of-Living: If your retirement were effective on or before July 1 of a particular year, you would be entitled to a full cost-of-living adjustment to your retirement benefit on July 1 of the following year.

Timing of Receiving Certain Payments: If you are thinking about retiring toward the end of the year, you should keep in mind that you will receive pay for annual leave, holiday pay and comp time on the payday following your last payday as an active employee. Depending on your situation, you may want to delay your retirement so this payoff is made in the following tax year as opposed to getting it in the same tax year as the effective date of your retirement. Call the Payroll Division in the Department of Human Resources for additional information.

Changes to Social Security Breakpoints: Each July 1, the Social Security Breakpoints may change. The new breakpoint information can be found on the Retirement Agency's website after June 15th each year.

? Can I Continue My Health Insurance Coverage After I Retire?

At this time, yes; however, keep in mind there is no guarantee that Fairfax County will continue offering health care benefits in retirement.

***Please note the following:** Fairfax County Government (FCG) and Fairfax County Public Schools (FCPS) provide information on their respective websites and during Open Enrollment for Benefits, each year. Current employees, especially those contemplating retirement, should review the Fairfax County Government Benefits Handbook and the Fairfax County Public Schools Benefits Handbook for the current calendar year. FCG and FCPS reserve the right to modify and/or discontinue any of the plans offered in the aforementioned handbooks. In addition, enrollment rules and rules regarding eligibility for coverage could change in the future.*

If you retire from a general County position and were *not* employed by the school system, you can continue the health insurance coverage you had before you retired, but you will be responsible for paying the entire premium, including the part the County has been paying. Normal service retirees receive a monthly subsidy toward their County health insurance, beginning when they turn age 55. The monthly amount of this subsidy is based upon years of service at retirement. Current premiums and subsidy amounts can be found on the Retirement Agency website or on FairfaxNet under Benefits. Those retiring on service-connected or non service-connected disability will receive the subsidy when they retire, regardless of their age. If you ever drop your County health or dental insurance, you will never be able to enroll again unless:

- Your spouse is an active employee and you enroll through his/her eligibility for coverage; or
- You are reemployed by the County and can enroll again as an active employee. This coverage may then be maintained when you retire again.

If you retire from a position with the school system, rules regarding health insurance are different. Please contact the Schools Office of Benefit Services (page 38) for specific information.

? **How Do I Apply For Retirement Benefits?**

You must apply for retirement benefits; they are not automatic. You should submit your application form within 60 days prior to your planned retirement date. You may obtain an application package by calling or writing the Retirement Agency or by visiting our website.

? **How Do I Apply For Disability Benefits?**

You must complete three forms to apply for disability benefits: your application, your attending physician's statement, and your statement of disability. These forms, like your retirement application, are available from the Retirement Agency. School employees should request the application package from the Schools Office of Benefit Services.

All forms must be completed and returned to the Retirement Agency before processing of your benefits can begin.

Once the forms are received, the Retirement Agency will obtain your medical records from the County's agent for Workers' Compensation if your disability is service-connected. These documents will be sent to the Medical Examining Board, which may schedule an appointment with you.

After the review, the Medical Examining Board will submit its report to the Board of Trustees who will review your application at their next meeting. If the Board approves your application, your checks will be distributed in the manner described under "How Do I Apply for Retirement Benefits?"

If the Board does not approve your request, you have the right to appeal its decision.

? **How Do I Appeal a Decision of the Board of Trustees?**

To appeal a decision of the Board of Trustees, simply notify the Retirement Agency in writing of your desire to appeal. They will schedule a time for you to meet with the Board. Requests for appeals made more than 30 days after the Trustees' decision must show good cause why it was not filed within 30 days.

Notes



FAIRFAX COUNTY EMPLOYEES' RETIREMENT SYSTEM

10680 Main Street

Suite 280

Fairfax, Virginia 22030

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