



# **Retirement Guide**

## **Charter School Employees**

### **Division B**

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This document presents an overview of Metro benefits for eligible Charter School employees at retirement. It is intended for informational purposes only. If there is a difference between this overview and the official plan documents, the plan documents will govern. For more information, call your Human Resources Coordinator or Metro Human Resources.

The eligibility guidelines and calculations in this guide describe Division B, the Modified Metro Plan, in effect since January 1996. If you are a member of Division A, please contact Metro Human Resources for answers to your specific questions.

Employees of certain charter schools are included in Metro Nashville Government's pension plan. This document is written for those schools who participate in Metro Nashville Government's pension plan. If you have questions about your plan participation, contact Metro Human Resources.

## Service Pension Benefits

Metro’s service pension plan is a retirement benefit. It is designed to reward eligible charter school employees who spend their working career at Metro or in a Metro charter school. If your charter school participates in Metro Nashville’s pension plan and you retire, the plan provides you with a monthly pension, based on your salary and years of service. The longer you work at Metro or one of its charter schools, the larger your benefit will be. Combined with other sources of income such as Social Security and personal savings, the service pension can help you enjoy a financially secure retirement.

Pensions belong to a class of retirement plans that *guarantee* participants a regular, fixed income for their lifetime when they retire. Pension plans are becoming less common, as employers switch to other types of plans that do not guarantee a fixed benefit. Keep this difference in mind when you think about the value of your Metro benefits.

Facts about Your Service Pension Benefits	
Eligibility	All eligible full-time charter school employees after six months of continuous credited service.
Enrollment	Employees of eligible charter schools are automatically enrolled in the service pension plan after six months of continuous credited service when they work for a charter school that participates in Metro’s pension plan.
Vesting	Vesting is your right to receive a pension benefit from Metro. Vesting Requirements are: <ul style="list-style-type: none"> <li>• 10-year vesting for employees (and non-vested employees rehired) on/after January 1, 2013</li> <li>• 5-year vesting for employees employed on or between October 1, 2001 and December 31, 2012 who vest before leaving employment</li> </ul>
Benefit	A pension paid monthly upon retirement.
When Benefits Begin	At normal, early, or deferred retirement.
Cost	Metro pays 100% of the cost of the service pension plan. You make no contributions to the plan.

## **Eligibility**

In order to be eligible to take a service pension, you must first meet certain criteria or guidelines. The guidelines depend upon your age, years of service with Metro and whether your charter school participates in Metro's pension plan. If you have questions regarding which pension plan you are in, contact your Human Resources Coordinator.

You may take an early, normal or deferred service pension as soon as you meet the criteria below. If you take an early service pension, your pension benefit will be reduced.

<b>Eligibility Guidelines for General Government</b>	
Vesting	<ul style="list-style-type: none"><li>• 10-year vesting for employees (and non-vested employees rehired) on/after January 1, 2013</li><li>• 5-year vesting for employees employed on or between October 1, 2001 and December 31, 2012 who vest before leaving employment</li></ul>
Normal Service Pension	Unreduced benefits begin at age 60 once your age plus your years of service equal 85 points or at age 65 with 5 years of service.
Early Service Pension	<p>You must be at least 50 years old and have 10 years of service.</p> <p>If you retire before you are age 60 or before you have 85 points, you will receive a reduced pension as follows:</p> <p>4% per year for <b>each</b> of the first 5 years and 8% per year for <b>each</b> year over 5 years that you retire early.</p>
Deferred Service Pension (vested)	<p>If you are vested when you stop working for Metro, but are not eligible to receive a normal pension and you decide not to take an immediate early pension, your pension will be postponed until you reach your normal retirement age.</p> <p>If you are eligible to take an early service pension when you stop working, but you elect to defer your pension until your unreduced retirement date, you will not be able to later take an early pension. You must wait until your normal retirement age.</p>

**Eligibility Guidelines for General Government**

Survivor Pension	<p>The legal spouse, domestic partner (where a Declaration of Domestic Partnership already exists on file with Metro Human Resources) or dependent child of a vested, active employee is entitled to a monthly survivor pension at the time of the active employee’s death.</p> <p>If you are vested – entitled to a future service pension – but you are no longer working for Metro and you die, your legal spouse/domestic partner or dependent child is entitled to an immediate monthly survivor pension.</p> <p>If you have retired and elected an option for your spouse or other named beneficiary, a monthly survivor pension will be paid according to the option that you chose.</p>
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**Eligibility Examples – Normal Retirement**

General Government employees can qualify for normal retirement at age 60 with 85 points. Below is an example of how the Rule of 85 can be met:

- 62 years old + 23 years of service = 85 points
- 64 years old + 21 years of service = 85 points

At age 65, you may retire with a normal service pension with only 5 years of service.

**Eligibility Examples – Early Retirement**

General Government employees may qualify for an early retirement at age 50 with at least 10 years of service. Examples include:

- 53 years old +11 years of service = 64 points
- 58 years old + 27 years of service = 85 points \*

\*Even though in the second example above there is a total of 85 points, you must also be at least 60 years old to avoid the reduction factors for taking an early service pension.

Remember, if you retire early, your benefit is reduced as follows:

- 4% per year for each of the first five years before you reach normal retirement, and
- 8% per year for each additional year.

## Calculating Your Pension Benefit

The service pension benefit for General Government employees is calculated at the flat rate of:

$$1.75\% \times \text{Final Average Earnings} \times \text{years of credited service}$$

Final Average Earnings is your earnings for the **highest 60 consecutive months** worked at Metro, divided by five years. The consecutive months do not have to be on a calendar years basis, such as January through December. You may retire at any time of the year and use earnings up until your retirement date. If you retire in July, you may use earnings right up through June of that same year.

For simplicity, we'll use calendar years in this example. Let's say your earnings for the last 15 years were as follows:

Year	Earnings
Year 1	\$20,000
Year 2	\$21,500
Year 3	\$23,000
Year 4	\$24,500
Year 5	\$26,000
Year 6	\$27,500
Year 7	\$29,000
Year 8	\$30,500
Year 9	\$32,000
<b>Year 10</b>	<b>\$33,500</b>
<b>Year 11</b>	<b>\$35,000</b>
<b>Year 12</b>	<b>\$36,500</b>
<b>Year 13</b>	<b>\$35,000</b>
<b>Year 14</b>	<b>\$33,500</b>
Year 15	\$32,000

Note that the highest **consecutive** earnings occurred in Years 10-14. Your total earnings during this five-year period was \$173,500. To calculate your Final Average Earnings, divide \$173,500 by five (years) = \$34,700.

Your annual normal retirement benefit is calculated by inserting the Final Average Earnings into the formula above. For example, if your Final Average Earnings are \$34,700 (as noted above) and you are a General Government employee with 25 years of credited service, here is the calculation:

Multiply 1.75% by \$34,700, then multiply by 25 (years of credited service) = \$15,181 per year (life annuity). To get your monthly benefit, divide by 12: \$15,181 per year divided by 12 = \$1,265.08 per month.

**Is there any income that does not count toward pension?**

Certain types of income are not included when calculating your pension benefits. These include any non-taxable income (for example, travel/mileage reimbursement).

## Calculating Your Early Pension Benefit

If you are retiring early, you will take a reduced pension of 4% per year for each of the first 5 years that you retire early and 8% per year for each year after 5 that you retire early. If you take early retirement, your pension will always be a reduced benefit. It does not go back up to the full amount once you reach your unreduced retirement age. Here are some examples:

### General Government

- 57 years old + 28 years of service = 85 points. Employee is retiring 3 years before age 60, so the reduction would be calculated as 3 x 4% = 12% reduction. For simplification using the same earnings and service as above, but with a younger employee taking a reduced pension, the benefit would be calculated as follows:

$1.75\% \times \$34,700 \times 25 \text{ years of service} = \$15,181$

$\$15,181 \times 12\% \text{ early reduction} = \$1,822$

$\$15,181 - \$1,822 \text{ reduction} = \$13,359 \text{ per year or } \$1,113 \text{ monthly.}$

- 63 years old + 18 years of service = 81 points. Although this person misses the Rule of 85 by 4 points, the reduction is only 8% because at age 65, the employee will have met the normal service pension eligibility (age 65 with 5 years).



## Calculating Credited Service

There are several issues to consider when looking at your total credited service. Credited Service is calculated using the following dates: your hire date (or date you became eligible for benefits), your retirement date (the date you stopped working or the last day you were paid on the payroll), the amount of any unused sick leave that you have and whether you have any prior service to connect.

Credited service is determined in the following way:

- To receive *full credit* for any month, you must be paid for at least 80 hours during that month.
- If you were paid between 40 and 79 hours for any given month, you receive *half credit* for the month.
- If you were paid for less than 40 hours during the month, you receive *no credit* for that month.

### **Unused Sick Leave at Retirement**

You may turn any unused sick leave days and any days in your sick leave bank into pension credits that count toward:

- Service time to increase your benefit, OR
- Retirement age – which allows you to retire at an earlier age and limit or avoid reduction penalties that would otherwise apply.

For every 20 days of unused sick leave you have, it is equal to one month of credited service. So, if you have 120 days of unused sick leave, you will have 6 months more of credit. To further explain, here are some examples:

- If you have 25 years of credited service and 180 unused sick leave days, your credit service would be increased to 25 years and 9 months. With the additional credited service time, you will receive a larger service pension.
- If you turned 59 six months ago (making your actual age 59 and 6 months), and have 120 unused sick leave days, these days can be used to calculate your pension as if you had actually reached your 60<sup>th</sup> birthday. In this way, you will avoid a 4% reduction in your service pension.

### **Vacation Days at Retirement**

At retirement, you may be compensated for your vacation days either by a lump sum payment or your vacation days will be run out day-by-day until they are exhausted.

If you receive a lump sum payment, it will be issued on your last active pay check and will not be included in your pension earnings. The lump sum payment will

also have the appropriate federal income taxes withheld and may place you in a higher tax bracket. If your vacation days are run out day by day you will continue to earn credited service until your days are exhausted.

Your school has discretion over how your vacation days will be paid to you at your retirement. Several factors will influence your school's decision, such as your school's management practices, budgetary considerations and your position within the school. Contact your Human Resources Coordinator to learn what options are available to you.

### **Connection of Service**

If you worked for Metro before and you quit you may be eligible to connect that prior service. A break in service is when you terminate your employment with Metro and then return to work with Metro at a later date. After being reemployed with Metro for one continuous year (working at least 20 or more hours a week), you may be allowed to connect your prior service.

If you have prior service to connect, you will need to contact Metro Human Resources to request that your service be connected. If you decide you want to connect that prior service at retirement, you will need to make arrangements to pay back any pension contributions (plus interest) that you might have received when you quit Metro or any contributions owed for the time being connected.

If you worked for Metro as a seasonal employee, you will not receive credited service for the first four months of your employment. If you worked part-time, you may be eligible to receive pension credit for that time provided that you worked at least 20 hours a week.

### **MNPS Charter School employees and Summer Credit**

School employees who begin their employment after the official start of the school year do not receive service credit for the following summer months when school is out. If you are a 10 month employee and you have a month in which you work less than 40 hours, you will not receive credit for the following summer months. However, if you do start at the beginning of the school year and earn credit for each month of the scheduled school year, you will receive credit for the following summer months.

## **DROP Plan**

### **Eligibility**

The DROP Plan, or the Deferred Retirement Option Plan, is a pension plan feature that is available to employees who have at least 25 years of service and are retiring with a normal pension benefit. The DROP Plan is not available to those who retire early, are on a disability pension or are receiving a survivor benefit.

## **Calculation**

When you retire, you can request a DROP payment equal to one, two, or three year's worth of your monthly pension payment (the actual calculation depends on your life expectancy and other factors). Metro will subtract the amount of the lump sum payment from your normal pension benefit, which will permanently reduce your monthly pension benefit. The amount of the lump sum you elect plus your reduced monthly benefit equals your normal service pension without the lump-sum payment. In other words, the total value of your pension benefit over your life expectancy remains the same, but your monthly benefit will be permanently reduced.

If you elect the DROP, you have the same choice in benefit plan options as a non-DROP retiree. Any monthly pension benefits available to you or your beneficiary will be reduced to reflect the amount of the DROP lump sum. The total value of the benefits paid to you and your survivor will be the same regardless of whether you elect the DROP or not.

Your Social Security retirement benefits will not be affected by electing the DROP. Your annual cost of living increases are based on your initial monthly benefit. By electing the DROP, your monthly pension benefit will be lower than if you had not elected the DROP. As a result, the cost of living allowance will be based on a lower benefit and will be less.

To estimate the amount of your DROP payment, you may perform your own estimate at [www.nashville.gov](http://www.nashville.gov) by going to the Human Resources home page or you may complete the DROP estimate worksheet in this guide.

## **Payment Options**

The DROP lump sum payment may be paid directly to you (taxes will be withheld) or it may be rolled over to an IRA or other qualified plan. You may also elect to rollover all, or a portion, of the lump sum payment. Taxes may be deferred if you roll over your lump sum to a qualified plan; please consult a financial advisor if you have questions. If you elect to rollover any portion of your lump sum payment, you must complete the appropriate forms before the payment can be made.

## **Taxes on the DROP Lump Sum Payment**

The lump sum payment will typically be paid to you sometime before you receive your second regular pension check. The IRS requires that Metro withhold 20% in Federal Income taxes from the amount of the lump sum. The 20% is not a tax; but an amount withheld to be applied to your taxes. When you file your taxes, you may receive a refund of part of this amount or you may owe more, depending on your particular situation.

If you retire in a year before you turn age 55, your payment may be subject to a 10% tax penalty for early withdrawal. If you chose to rollover your lump sum payment to an IRA (Metro will send the payment directly to your plan's custodian), you may avoid the 20% withholding, but may pay a 10% penalty for early withdrawal if you withdraw the money before age 59 ½. As a general rule, you can get the money without penalty at an earlier age if it's invested in a 457 plan vs. an IRA. Money rolled over to an IRA will be subject to the 10% penalty if it is withdrawn as a single sum prior to the age of 59 ½. You may also rollover a portion of the lump sum and have the remainder issued directly to you (20% will be withheld on your portion). Depending on your financial situation, there may be other tax implications. Before electing this option, be sure to consult your financial advisor.

Metro's pension plan uses an assumed interest rate of 8%. This information may help your financial advisor determine if taking the DROP, or leaving the money in, makes more sense.

### **Important Things to Consider**

By taking the lump sum payment, your regular monthly pension benefit will be permanently reduced. And, of course, once you spend the lump sum you receive, it's gone. (But remember: your total pension benefit over your life expectancy will remain the same). Before electing this option, be sure to consider whether a reduced monthly benefit, along with any other sources of income, will meet your needs in years to come. You should also consider the tax implications of receiving a "lump" of money, and you should recognize that electing the DROP lowers your future Cost of Living Allowance (COLA). Make a plan. Talk to your tax advisor, your financial planner, your lawyer—or whomever you trust with your financial information. Consider both the short-term and the long-term consequences of choosing the DROP. Know what you want to do with the money before you get it.

## **Benefit Payment Options**

At retirement, you have the option to elect a survivor benefit for your spouse or someone else you select. Remember that electing a survivor benefit will reduce the amount of pension that you draw during your lifetime. That reduction is based on your age and the age of the beneficiary you select, and is a permanent election. The payment option you choose at retirement cannot be changed once the Benefit Board approves your benefit payment option.

Benefit Options Available at Retirement	
Normal Form Benefit	This option provides you with the greatest monthly Metro benefit you are entitled to receive at the time of your retirement since there is no survivor option. Under this option, a surviving beneficiary will not receive any pension benefits or be entitled to participate in any other benefit (such as medical or dental insurance coverage).
Option A - Joint & Survivor 100% to Surviving Beneficiary	Your surviving beneficiary will receive, for life, the same amount paid to you as a retiree.
Option B – Joint & Survivor 50% to Surviving Beneficiary	Your surviving beneficiary will receive, for life, one half (1/2) of the amount paid to you as a retiree.
Option C – Social Security Level Income	This option allows for a monthly benefit higher than the Normal Form, payable to you during your lifetime until an age between 62 and 65, and a reduced optional benefit payable thereafter for life. This method allows you to have a more level retirement income when your reduced optional benefit is added to your primary Social Security benefits. This optional benefit will be based on your Social Security benefit amount as determined by the Social Security Administration. There is no survivor benefit with this option.
Option D – 120 Payments Certain and Life	<p>This option pays you a benefit for the rest of your life. However, if you die, your surviving beneficiary will receive the same amount <i>only</i> if you die <i>before</i> 120 months (or 10 year's worth) have been paid. The survivor will receive a pension only up until 120 months worth of benefits have been paid.</p> <p>If you die after Metro has paid you a pension for 10 years (or 120 months), your beneficiary will not receive a pension.</p>
Option E – Joint & Survivor 100% to Surviving Beneficiary with Pop-Up Feature	Under this option, your surviving beneficiary would continue to draw the same amount that you received at your death. However, should your surviving beneficiary predecease you, your benefit would pop up to the non-option normal form benefit.
Option F – Joint & Survivor 50% to Surviving Beneficiary with Pop-Up Feature	Your surviving beneficiary would draw one half (1/2) of the amount paid to you at your death. However, should your surviving beneficiary predecease you, your benefit would pop up to the non-option normal form benefit.

## **Estimates**

Metro offers an online self-service option to easily estimate your service pension, both at normal and early retirement, DROP benefits and survivor options, as well as track your pension in progress. This tool provides you with secure, convenient and user-friendly access to your pension information by clicking on Human Resources website at [www.nashville.gov](http://www.nashville.gov) (click on Human Resources home page, Benefits, Pension Information, Pension Self-Service).

## **Social Security Benefits**

If eligible for Social Security benefits, you will draw those benefits in addition to your Metro service pension. All employees hired after 1963 are required by Federal law to contribute to Social Security and are therefore eligible for social security benefits. Social Security pays you a regular monthly benefit when you retire, become disabled, or die. Your dependents may also be eligible for Social Security benefits when you retire, become disabled, or die.

You can retire at any time between age 62 and 70 and receive Retirement Social Security benefits. If you were born before 1938 and you meet all other requirements, you can receive benefits beginning with the first full month you reach age 62.

However, if you choose to begin receiving benefits before age 65, your benefits will be reduced to account for the longer period over which you will be paid. How much your benefit will be reduced is based on how many months younger you are than your full retirement age. If you retire later than your full retirement age, your benefits will be higher.

You must apply with Social Security **3 months prior** to the age you want to begin receiving payments.

You can apply for your Social Security benefits:

- online at [www.ssa.gov](http://www.ssa.gov)
- over the phone (see the U. S. Government section of your local telephone book)
- or in person at your local Social Security office

## **When Do Social Security Benefits Begin?**

The following chart identifies when Social Security Benefits begin:

<b>Birth Year</b>	<b>Full Retirement Age</b>
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

## **Points of Interest**

### **Medical, Dental and Vision Insurance Benefits**

If your charter school participates in Metro's insurance benefits at the time of your retirement, you may have the option of continuing and/or enrolling in medical, dental and vision insurance (and adding eligible dependents) or you may opt out of Metro's coverage. If you choose to opt out of Metro's coverage but wish to preserve your right, and the right of your eligible dependents, to opt back into Metro's plans you must show proof of other non-Medicare coverage at the time of the opt out and must opt back into coverage within 60 days of an eligible change in status (you will only be able to opt back in if the charter school through which you qualify for retiree medical benefits still participates in retiree group insurance at the time you opt back in). If you choose not to enroll in vision at the time you go on pension, you may not enroll in the future.

If you have an eligible change in status (marriage, divorce, death, birth, adoption or custody of a child, spouse/domestic partner losing insurance coverage or job, or you lost your other coverage, etc.), you must enroll and/or add the dependent to your insurance plan within 60 calendar days or you may never add the dependent at a later date, even during Annual Enrollment. For a complete list of eligible changes in status or if you have questions about adding or deleting dependents, contact Metro Human Resources.

Your insurance coverage will remain in effect while your retirement is in process. If you experience any difficulties with your insurance during this transition, you should call Benefit Services at Metro Human Resources at 862-6700.

## **Medicare Parts A, B and D**

If you are eligible for Metro insurance benefits, Metro requires pensioners and dependents to elect Medicare Parts A and B as soon as you first become eligible to enroll – regardless of other coverage you have or your employment status outside of Metro. Medicare Parts A and B will be offered no later than age 65, but may be offered earlier if you have certain medical conditions. Once you receive a copy of your Medicare card, or other documentation showing you have both Parts A and B, you will need to send a copy of the card or documentation to Metro Human Resources. By having Medicare Parts A and B, your Metro insurance premiums may be reduced.

On the date that you become eligible for both parts, Medicare will become your primary insurance carrier and your Metro insurance carrier will become secondary. If you are eligible for Medicare Part B, but do not elect Part B, your medical insurance through Metro will process your medical claims as if you did have Part B. By not electing Part B, you could be responsible for 80% of all your medical bills.

Metro's insurance is specifically designed to work with Medicare Parts A and B. This coordination is the reason Metro retirees have quality medical insurance that many other retirees don't. When you need care, Medicare pays its share (doctors and hospital bills) and Metro's insurance pays its share. That's also the reason you get a big discount on your Metro insurance once Medicare kicks in. Medicare and Metro's insurance combine to give you a comparable level of coverage to what you enjoyed as an employee.

Once you retire with Metro and are age 65, Metro will automatically adjust your insurance premiums to reflect that you have Medicare (if you have dependent children on your health plan, this adjustment may not be made). Since premiums are paid one month in advance, this new, lower premium will be deducted from your pension check in the month prior to your 65<sup>th</sup> birthday. You should still send a copy of your Medicare card to Metro Human Resources. If your spouse/domestic partner (or other dependent) is receiving Medicare Parts A and B, you must notify Metro Human Resources immediately.

While Metro does require that pensioners enroll in Medicare Parts A and B, Metro does NOT require that you enroll in Medicare Part D coverage. Since Metro provides pensioners with prescription drug coverage, it is **not** in your best interest to enroll in Medicare Part D.

Note: Metro's prescription drug coverage is a Medicare drug plan and if your family meets Medicare's income-related threshold, there will be a monthly adjustment by Medicare.



## **Life Insurance**

As a retired charter school employee, if you are eligible for medical benefits, Metro provides you with \$10,000 of term life insurance at no cost to you. Your life insurance benefit is payable to the person you have last named as your beneficiary.

At retirement, you have the option to convert to an individual life policy in \$1,000 increments up to \$40,000 (which is the difference between the \$50,000 active employee amount and \$10,000 pensioner benefit). You must make written application and payment of premium to the life insurance company within 31 days from the date you are notified by Metro. To obtain a conversion form, contact Prudential at (800) 778-3827.

Pensioners are not eligible to enroll in supplemental term life insurance. However, if you were previously enrolled as an active employee, you may elect to continue your supplemental term life coverage as a pensioner under an individual policy at the lesser of \$20,000 or the amount that is in force prior to retirement (at least \$10,000). The decision to continue your supplemental life coverage must be made at the time you are signing your pension application paperwork.

## **Waiver of Premium**

If you are disabled according to the insurance company's standards (not Metro's) and are under the age of 60, you may apply for a Waiver of Premium for the basic life insurance benefit and the same amount of supplemental life insurance you last had while actively employed. This benefit will provide your beneficiary with \$50,000 at your death, plus the amount of supplemental life insurance you had in place as an active employee when you retired. If you are over the age of 60, you may not apply for the waiver and your life insurance amount as a pensioner will be \$10,000.

You may immediately apply for the waiver of premium benefit, but you must apply within 12 months of the date you became disabled. If approved, benefits may remain in effect until your age 70 (after age 70, your life insurance benefit will be \$10,000).

If you qualify for the waiver of premium, this is a free benefit to you. If you are denied for the waiver of premium benefit, you have 30 days from the date of the denial to appeal the insurance company's decision. If your appeal is denied, or you elect not to appeal the denial, you may convert to an individual policy; however, you must make written application and payment of premium within 31 days from the time the insurance company denies your waiver of premium application. To appeal or convert, you must contact the insurance company.

For additional information about your life insurance benefits, you may contact Prudential at (800) 524-0542 and provide the group number 46767.

## **Your Pension Check**

Pension Checks are issued every month on the last working day of the month and will be direct deposited to your bank account. You'll be required to complete a new direct deposit form at retirement and will be mailed a check stub each month showing your deductions and amount transmitted to your bank. If you are enrolled in the medical, dental and vision insurance plans, current premiums and any premiums owed should be deducted from your first pension check.

## **Taxes on Pension Money**

Service pensions are considered taxable income. You may choose whether or not you want Metro to withhold taxes from your pension check and you may change your tax withholding at any time by contacting Metro Payroll at 862-6160. If you choose no deductions, then you will be responsible to pay any taxes owed when you file your yearly tax returns. Social Security is not withheld from pension checks.

If you paid in pension contributions out of your Metro paycheck while you were working, a portion of each monthly retirement benefit that you receive from Metro may be excluded under certain circumstances from your taxable income as a return of your personal contributions to the pension plan under certain circumstances, while the remainder of each monthly benefit is taxable. This will be discussed in more detail during your retirement appointment.

When you are on a pension, you will receive a form 1099-R each year. Like a W-2 form, it shows how much pension you received and what taxes, if any, were withheld. You will need this information to do your income taxes. It also shows tax withholdings. Like other tax records, you should keep a copy of this form in case you are audited.

## **Cost of Living Adjustments**

All of Metro's service pension plans have a built-in cost of living adjustment (COLA) to help protect your income from the effects of inflation. The formulas are based on the Federal government's Consumer Price Index (CPI), the widely accepted standard for measuring inflation. Cost of Living Adjustments under the Metro pension plan are effective at the first of the year and are paid on the January pension check issued at the end of the month.

## Application Process

Once you make the decision that you are ready to retire, you will need to contact Metro Human Resources at least 6 weeks before your anticipated retirement date or your last day on the payroll. An appointment with a Benefits Representative will be scheduled for you. You must bring copies of several important documents to this meeting:

- Your birth certificate (or driver's license with birth date listed)
- Your Social Security Card (or driver's license with SSN listed or documentation from the Social Security Administration with SSN listed)
- Your Medicare Card (if applicable)
- Marriage Certificate (if applicable)
- Spouse's or domestic partner's birth certificate (or driver's license with birth date listed)
- Spouse's or domestic partner's Social Security Card (or driver's license with SSN listed or documentation from the Social Security Administration with SSN listed)
- Spouse's or domestic partner's Medicare Card (if applicable)
- Dependent's birth certificate and Social Security Card (or driver's license with date of birth and SSN listed)
- Divorce Decree (if applicable)
- Spouse's or domestic partner's death certificate (if applicable)
- Birth certificate, Social Security Card, Medicare card for each surviving beneficiary (if applicable)
- Social Security estimate of earnings, if considering Option C
- Voided check for Direct Deposit

Note: If using a substitute document above please be advised that each substitute may only represent one document source (i.e. you may not use your driver's license for both your Social Security number and as proof of your date of birth).

Until this meeting has taken place and the documents provided, your pension application cannot proceed. If you do not have these documents, you should consult your local Social Security Administration office, Health Department or Vital Statistics. If you wish to bring someone with you to this meeting, you are encouraged to do so.

After the application appointment, Metro Human Resources will notify your school that you are retiring and will request information about your last day on the payroll, including how any vacation time will be handled and the number of unused sick leave days you may have.

Once this information is received from your school and you have received your last active paycheck, your pension will be calculated. Once calculated, a Pension Services representative will contact you to schedule a final appointment to sign your

pension paperwork and choose a benefit payment option. Please consider your payment option carefully, as it is a permanent election and **cannot** be changed once the Benefit Board approves your benefit payment option.

If you are electing a DROP option with a rollover to a qualified retirement plan, you must bring the *Rollover Election Form* completed by your Plan Administrator to this appointment.

Note: Because your final, active payroll check must be issued before your pension can be calculated, you should plan for a period of 4-6 weeks before receiving your first pension check. The timeframe may be longer when special circumstances occur. Please plan accordingly for this transitional period without income.

## **Employment After Retirement**

### **Effect on Pension**

If you are on a Metro service pension, your pension benefits are not affected by outside income. However, it may change your tax situation, and you may want to adjust your withholding, especially if you elected to have no taxes withheld. To do this, call Metro Payroll.

### **Effect on Social Security**

Outside income may affect your Social Security benefits. Please check the paperwork provided to you by Social Security for details. If you do work, be sure to follow any reporting requirements for Social Security.

### **Working for Metro**

A service retiree may work part-time for Metro. If you work fewer than 20 hours per week, it will not affect your pension benefits or status for other Metro insurance benefits. You will continue to receive a pension check, and you will not earn pension credits for this part-time work. If you work 20 or more hours per week, however, you “un-retire.” Your pension will stop and you will become an active employee again. This condition applies regardless of whether you return to your old charter school, or whether you are employed by a new department.